KAGISANO-MOLOPO LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Local Municipality NW397
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Kagisano-Molopo Local Municipality mandate is: - to provide democratic and accountable government for local communities; - to ensure the provision of services to communities in a sustainable manner; - to ensure the provision of services to communities in a sustainable manner; - to promote social and ecomomic development; - to promote a safe and healthy environment; - to encourage the involvement of communities and community organisations in the matters of local government
MAYORAL COMMITTEE	
Executive Mayor	K.E. Lenkopane - Mayor S.R. Modise - Speaker T.Z. Baakanyang - Executive Member J. Botha - Executive Member J. Moreke - Executive Member N. Muller - Executive Member
Councillors	B.R. Bareng M.M. Diphikwe K.I. Gabe L.E. Gaobepe-Boemo J.M. Grobblelaar L.C. Loabile T.M. Lenner K.S. Moreki T.M. Lenkopane B.B. Makwati T.E. Matsietso S.V. Mere M.K. Mokgara B.E. Gender K.G. Nthebotsenyane K.G. Ogaseng T.M. Olaotswe M.M. Seeletse O.M. Serame N.K. Sekopecwe T.J. Thetswe
GRADING OF LOCAL AUTHORITY	Grade 2
CHIEF FINANCE OFFICER (CFO)	OO Ntsimane (Acting CFO)
ACCOUNTING OFFICER	OO Ntsimane
REGISTERED OFFICE	Municipal Offices next to Ganeysa Clinic Chief Block Section Ganyesa

GENERAL INFORMATION

	8613
BUSINESS ADDRESS	Municipal Offices next to Ganeysa Clinic Chief Block Section Ganyesa 8613
POSTAL ADDRESS	Private Bax X522 Ganyesa 8613
BANKERS	ABSA
AUDITORS	Auditor General of South Africa

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

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 7 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

OO Ntsimane
Municipal Manager (Acting)

REPORT OF THE AUDITOR GENERAL

TO THE PROVINCIAL LEGISLATURE OF KAGISANO-MOLOPO LOCAL MUNICIPALITY

Report on the financial statements

Responsibility of the Accounting Officer for the annual financial statements

The accounting officer is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] , and in the manner required by the Companies Act of South Africa [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion / Basis for Adverse Opinion / Basis for Disclaimer of Opinion

Qualified opinion

Auditor General of South Africa

Avick Misra
Additional description
Additional description

30 November 2017

ACCOUNTING OFFICER'S REPORT

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

1. INCORPORATION

The municipality was incorporated on 12 December 2011 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

3. GOING CONCERN

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

4. SUBSEQUENT EVENTS

A letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings. A Letter was received from Kwane's attorneys on the 4th of October 2017 containing certain representations. On the 17th of October 2017 K wane' s attorneys were notified that their representations were not acceptable and demanding re-payment of the amount paid over to them.

5. ACCOUNTING POLICIES

These management financial statements are prepared in terms of the Section 122 of the Municipal Finance Management Act and presents a report on the status of this municipality’s performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2016.

6. ACCOUNTING OFFICER

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	**Nationality**
OO Ntsimane	South - African

7. CORPORATE GOVERNANCE

GENERAL

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

COUNCIL MEETINGS

The accounting officer has met on several occassions with the council during the financial year. The Council schedules to meet at least four times per annum.

8. AUDITORS

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note(s)	2017 R	2016 Restated* R
ASSETS			
CURRENT ASSETS			
Receivables from exchange transactions	6&9	-	1 217 999
Receivables from non-exchange transactions	7&9	964 658	7 109 381
VAT receivable	8	2 626 282	6 450 907
Cash and cash equivalents	10	39 165 718	48 386 630
		42 756 658	**63 164 917**
NON-CURRENT ASSETS			
Investment property	3	43 636 026	40 581 504
Property, plant and equipment	4	443 713 179	403 997 219
Intangible assets	5	403 757	77 986
		487 752 962	**444 656 709**
Total Assets		**530 509 620**	**507 821 626**
LIABILITIES			
CURRENT LIABILITIES			
Finance lease obligation	11	4 108 715	1 005 221
Payables from exchange transactions	14	14 380 404	12 870 628
Unspent conditional grants and receipts	12	787 145	589 264
Provisions	13	19 622 396	17 050 323
		38 898 660	**31 515 436**
NON-CURRENT LIABILITIES			
Finance lease obligation	11	3 734 445	2 354 988
Provisions	13	926 727	745 583
		4 661 172	**3 100 571**
Total Liabilities		**43 559 832**	**34 616 007**
Net Assets		**486 949 788**	**473 205 619**
Accumulated surplus		486 949 788	473 205 619

* See Note 37

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	16	1 221 717	1 032 673
Interest received (trading)		256 358	293 722
Other income	17	738 948	649 215
Interest received - investment	18	3 362 014	2 581 478
Total revenue from exchange transactions		**5 579 037**	**4 557 088**
Revenue from non-exchange transactions			
TAXATION REVENUE			
Property rates	19	18 208 584	17 687 874
TRANSFER REVENUE			
Government grants & subsidies	21	132 118 845	137 779 558
Donations Received	19	15 840 775	-
Total revenue from non-exchange transactions		**166 168 204**	**155 467 432**
Total revenue	15	**171 747 241**	**160 024 520**
Expenditure			
Employee related costs	22	(28 871 030)	(25 280 543)
Remuneration of councillors	23	(9 668 068)	(9 545 693)
Depreciation and amortisation	24	(19 419 124)	(16 170 002)
Assets written off / Reversal of assets written off	25	(954 814)	736 651
Finance costs	26	(1 007 014)	(82 968)
Debt Impairment	27	(10 056 386)	(3 614 927)
Repairs and maintenance		(2 577 917)	(2 212 303)
Contracted services	28	(35 112 740)	(29 195 444)
Transfers and Subsidies	20	(2 524 723)	(3 006 352)
General Expenses	29	(50 865 781)	(37 513 426)
Total expenditure		**(161 057 597)**	**(125 885 007)**
Operating surplus		**10 689 644**	**34 139 513**
Gain on disposal of assets and liabilities		-	5 618
Fair value adjustments	30	3 054 522	1 371 888
		3 054 522	**1 377 506**
Surplus for the year		**13 744 166**	**35 517 019**

* See Note 37

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	916 444 879	916 444 879
Adjustments		
Correction of errors	(478 756 279)	(478 756 279)
Balance at 01 July 2015 as restated*	**437 688 600**	**437 688 600**
Changes in net assets		
Surplus for the year	35 517 019	35 517 019
Total changes	35 517 019	35 517 019
Restated* Balance at 01 July 2016	**473 205 622**	**473 205 622**
Changes in net assets		
Surplus for the year	13 744 166	13 744 166
Total changes	13 744 166	13 744 166
Balance at 30 June 2017	**486 949 788**	**486 949 788**

Note(s)

* See Note 37

CASH FLOW STATEMENT

	Note(s)	2017 R	2016 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation		14 296 921	25 042 267
Sale of goods and services		3 178 664	1 286 995
Grants		132 316 726	137 431 490
Interest income		3 618 372	2 875 200
		153 410 683	166 635 952
Payments			
Employee costs		(38 539 099)	(34 826 233)
Suppliers		(82 993 542)	(68 717 608)
Finance costs		(41 243)	(82 968)
		(121 573 884)	(103 626 809)
Net cash flows from operating activities	32	**31 836 799**	**63 009 143**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(33 950 720)	(36 814 880)
Proceeds from sale of property, plant and equipment	4	-	27 880
Purchase of other intangible assets	5	(375 530)	-
Net cash flows from investing activities		**(34 326 250)**	**(36 787 000)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(5 765 690)	(3 931 740)
Finance Costs - Finance lease		(965 771)	-
Net cash flows from financing activities		**(6 731 461)**	**(3 931 740)**
Net increase/(decrease) in cash and cash equivalents		**(9 220 912)**	**22 290 403**
Cash and cash equivalents at the beginning of the year		48 386 630	26 096 227
Cash and cash equivalents at the end of the year	10	**39 165 718**	**48 386 630**

* See Note 37

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rental of facilities and equipment	1 759 048	-	**1 759 048**	1 221 717	**(537 331)**	45 A
Interest received (trading)	144 919	-	**144 919**	256 358	**111 439**	45 B
Other income - (rollup)	7 700 000	-	**7 700 000**	738 948	**(6 961 052)**	45 C
Interest received - investment	1 200 000	-	**1 200 000**	3 362 014	**2 162 014**	45 D
Total revenue from exchange transactions	**10 803 967**	**-**	**10 803 967**	**5 579 037**	**(5 224 930)**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	16 480 000	-	**16 480 000**	18 208 584	**1 728 584**	45 E
TRANSFER REVENUE						
Government grants & subsidies	105 837 000	-	**105 837 000**	132 118 845	**26 281 845**	45 F
Other transfer revenue 1	-	13 000 000	**13 000 000**	15 840 775	**2 840 775**	45 K
Total revenue from non-exchange transactions	**122 317 000**	**13 000 000**	**135 317 000**	**166 168 204**	**30 851 204**	
Total revenue	**133 120 967**	**13 000 000**	**146 120 967**	**171 747 241**	**25 626 274**	
EXPENDITURE						
Personnel	(28 199 000)	-	**(28 199 000)**	(28 871 030)	**(672 030)**	
Remuneration of councillors	(9 871 753)	(610 000)	**(10 481 753)**	(9 668 068)	**813 685**	
Depreciation and amortisation	(43 000 000)	-	**(43 000 000)**	(19 419 124)	**23 580 876**	45 G
Assets written / Reversal of assets written off	-	-	**-**	(954 814)	**(954 814)**	45 H
Finance costs	-	-	**-**	(1 007 014)	**(1 007 014)**	45 I
Bad debts written off	(2 616 000)	-	**(2 616 000)**	(10 056 386)	**(7 440 386)**	45 I
Repairs and maintenance	-	-	**-**	(2 577 917)	**(2 577 917)**	45 I
Contracted Services	(21 750 000)	(7 291 000)	**(29 041 000)**	(35 112 740)	**(6 071 740)**	45 J
Transfers and Subsidies	-	-	**-**	(2 524 723)	**(2 524 723)**	45 I
General Expenses	(70 074 500)	1 360 000	**(68 714 500)**	(50 865 781)	**17 848 719**	45 I
Total expenditure	**(175 511 253)**	**(6 541 000)**	**(182 052 253)**	**(161 057 597)**	**20 994 656**	
Operating surplus	**(42 390 286)**	**6 459 000**	**(35 931 286)**	**10 689 644**	**46 620 930**	
Fair value adjustments	-	-	**-**	3 054 522	**3 054 522**	
Surplus before taxation	**(42 390 286)**	**6 459 000**	**(35 931 286)**	**13 744 166**	**49 675 452**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(42 390 286)**	**6 459 000**	**(35 931 286)**	**13 744 166**	**49 675 452**	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

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

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

1.1 PRESENTATION CURRENCY

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

1.2 GOING CONCERN ASSUMPTION

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

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of Infrastructure, community and other assets

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

Allowance for doubtful debts

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

1.4 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

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

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

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

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

1.4 INVESTMENT PROPERTY (continued)

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.5 PROPERTY, PLANT AND EQUIPMENT

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

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

1.5 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Machinery and equipment	Straight line	5-10
Furniture and fixtures	Straight line	7
Motor vehicles	Straight line	7
Office equipment	Straight line	7
Emergency equipment	Straight line	7
Community	Straight line	30
Other property, plant and equipment	Straight line	5-10
Other community assets	Straight line	15-30
Roads network	Straight line	10-70
Electricity network	Straight line	45
Stormwater network	Straight line	30-40
Landfil site Perimeter Protection and Structures	Straight line	10-55

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

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

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

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

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

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

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

1.6 INTANGIBLE ASSETS

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

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

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

1.6 INTANGIBLE ASSETS (continued)

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software	5 years

1.7 FINANCIAL INSTRUMENTS

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

1.7 FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.7 FINANCIAL INSTRUMENTS (continued)

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 FINANCIAL INSTRUMENTS (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

1.7 FINANCIAL INSTRUMENTS (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.7 FINANCIAL INSTRUMENTS (continued)

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

Presentation

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

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

1.8 TAX

Value added taxation (VAT)

The municipalty accounts for the value added taxation on the accrual basis.

1.9 LEASES

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 10,5%.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.9 LEASES (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

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

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

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.12 SHARE CAPITAL / CONTRIBUTED CAPITAL

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

1.13 EMPLOYEE BENEFITS

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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 at each reporting date by an independent qualified actuary and the corresponding liability is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statementof Financial Performance as employee benefits upon valuation.

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

1.14 PROVISIONS AND CONTINGENCIES

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

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

1.14 PROVISIONS AND CONTINGENCIES (continued)

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 PROVISIONS AND CONTINGENCIES (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

1.15 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 REVENUE FROM EXCHANGE TRANSACTIONS

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

1.16 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.16 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

Interest, royalties and dividends

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

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

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

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

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

1.17 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.17 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 INVESTMENT INCOME

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

1.19 BORROWING COSTS

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

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

1.20 COMPARATIVE FIGURES

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

1.21 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

1.21 UNAUTHORISED EXPENDITURE (continued)

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

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

1.22 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.23 IRREGULAR EXPENDITURE

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

1.24 BUDGET INFORMATION

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 RELATED PARTIES

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

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

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

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

1.26 EVENTS AFTER REPORTING DATE

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

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

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

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

	2017	2016
	R	R

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

Standard/ Interpretation:

GRAP 20: Related Parties
GRAP 32: Service Concession Arrangement: Grantor
GRAP 108: Statutory Receivables
GRAP 109: Accounting by principles and agents

These were not adopted early

	2017 R	2016 R

3. INVESTMENT PROPERTY

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43 636 026	-	43 636 026	40 581 504	-	40 581 504

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	40 581 504	3 054 522	43 636 026

Reconciliation of investment property - 2016

	Opening balance	Transfers out	Fair value adjustments	Total
Investment property	41 593 000	(2 383 384)	1 371 888	40 581 504

	2017	2016
Nett income of investment properties	834 858	658 562

Pledged as security

No investment property were pledged as security

Details of property

The effective date of the revaluations was 30 June 2017. Revaluations were performed by an independent valuer, Mr Gerrit Lotz registered with the South African Council for the Property Valuers Profession (SACPVP) and South African Institute of Valuers (SAIV) as Professional Valuer in terms of the Property Valuers Profession Act, 2000 (Act no.47 of 2000), of DDP Valuers (Pty) Ltd. Mr Gerrit Lotz is not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. For investment property, totalling R 43, 636 026 where there was a lack of comparable market data, the valuation was based cost replacement method and indirect comparison method.

All these methods are exceptable valuation methods.

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.

4. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 230 072	-	3 230 072	3 230 072	-	3 230 072
Buildings	38 547 525	(11 194 315)	27 353 210	38 547 525	(9 908 843)	28 638 682
Finance Lease Assets	16 880 177	(2 829 212)	14 050 965	7 291 949	-	7 291 949
Infrastructure	212 567 780	(37 964 602)	174 603 178	204 639 199	(33 039 498)	171 599 701
Community	213 409 187	(45 801 025)	167 608 162	183 506 838	(40 069 476)	143 437 362
Other property, plant and equipment	31 371 196	(14 349 718)	17 021 478	28 391 789	(10 262 112)	18 129 677
Community Assets - Under construction / WIP	15 951 579	-	15 951 579	17 424 582	-	17 424 582
Infrastructure - Under construction / WIP	23 894 535	-	23 894 535	14 245 194	-	14 245 194
Total	**555 852 051**	**(112 138 872)**	**443 713 179**	**497 277 148**	**(93 279 929)**	**403 997 219**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers Out	Transfers In	Depreciation	Impairment loss	Impairment reversal	Total
Land	3 230 072	-	-	-	-	-	-	3 230 072
Buildings	28 638 682	-	-	-	(1 285 472)	-	-	27 353 210
Finance Lease Assets	7 291 949	9 588 228	-	-	(2 829 212)	-	-	14 050 965
Infrastructure	171 599 701	7 928 582	-	-	(4 925 105)	-	-	174 603 178
Community	143 437 362	31 373 467	-	-	(6 247 853)	(954 814)	-	167 608 162
Other property, plant and equipment	18 129 677	2 242 756	-	-	(4 081 729)	-	730 774	17 021 478
Community Assets - Under construction / WIP	17 424 582	-	(20 377 556)	18 904 553	-	-	-	15 951 579
Infrastructure - Under construction / WIP	14 245 194	-	(3 583 752)	13 233 093	-	-	-	23 894 535
	403 997 219	**51 133 033**	**(23 961 308)**	**32 137 646**	**(19 369 371)**	**(954 814)**	**730 774**	**443 713 179**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers out	Transfers In	Depreciation	Impairment loss	Impairment reversal	Total
Land	846 688	2 383 384	-	-	-	-	-	-	3 230 072
Buildings	29 924 154	-	-	-	-	(1 285 472)	-	-	28 638 682
Finance Lease Assets	-	7 291 949	-	-	-	-	-	-	7 291 949
Infrastructure	159 569 246	17 308 328	-	-	-	(5 277 873)	-	-	171 599 701
Community	136 260 426	12 917 150	-	-	-	(5 740 214)	-	-	143 437 362
Other property, plant and equipment	15 767 063	5 519 598	(22 262)	-	-	(3 871 372)	(236 393)	973 043	18 129 677
Community Assets - Under construction / WIP	16 300 150	-	-	(13 728 663)	14 853 095	-	-	-	17 424 582
Infrastructure - Under construction / WIP	14 267 149	-	-	(17 144 957)	17 123 002	-	-	-	14 245 194
	372 934 876	**45 420 409**	**(22 262)**	**(30 873 620)**	**31 976 097**	**(16 174 931)**	**(236 393)**	**973 043**	**403 997 219**

Pledged as security

Property, plant and equipment has not been pledged as security or collateral.

5. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	525 453	(121 696)	403 757	149 923	(71 937)	77 986

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	77 986	375 530	(49 759)	403 757

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	105 727	(27 741)	77 986

Pledged as security

No investment property were pledged as security

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Rental Receivables	-	1 217 999

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

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

	2017 R	2016 R
1 month past due	-	41 142
2 months past due	-	41 063
3 months past due	-	1 045 191

Reconciliation of provision for impairment of trade and other receivables

	2017 R	2016 R
Opening balance	455 149	551 754
Provision for impairment	2 042 441	-
Unused amounts reversed	-	(96 605)
	2 497 590	**455 149**

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 R	2016 R
Other receivables from non-exchange revenue	586 797	854 567
Other receivables from non-exchange revenue - Prepayments	375 000	675 482
Consumer debtors - Rates	2 861	5 579 332
	964 658	**7 109 381**

	2017 R	2016 R

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

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

	2017 R	2016 R
1 month past due	-	-
2 months past due	-	-
3 months past due	2 861	5 579 332

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

	2017 R	2016 R
Opening balance	11 775 378	6 213 049
Provision for impairment	6 163 148	5 562 329
	17 938 526	**11 775 378**

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

8. VAT RECEIVABLE

	2017 R	2016 R
VAT	2 626 282	6 450 907

Current tax receivable relates to a Value Added Tax Credit to paid out by SARS.

Kagisano-Molopo Local Municipality is registered as a VAT Vendor on the invoice basis.

Inclused in the amounts disclosed on the face of the Statement of Financial Position is may be amounts that relates to adjustments from SARS for which no transaction breakdown received to indicating the nature and type of the disallowments relating to transactions. This amount is recorded as a reconciliations item until reason for the disallowment can be investigated.

9. CONSUMER DEBTORS DISCLOSURE

	2017 R	2016 R
Gross balances		
Consumer debtors - Rates	17 941 386	15 503 913
Rental Receivables	2 497 590	1 673 148
	20 438 976	**17 177 061**
Less: Allowance for impairment		
Consumer debtors - Rates	(17 938 525)	(9 924 581)
Rental Receivables	(2 497 590)	(455 149)
	(20 436 115)	**(10 379 730)**
Net balance		
Consumer debtors - Rates	2 861	5 579 332
Rental Receivables	-	1 217 999
	2 861	**6 797 331**
Included in above is receivables from exchange transactions		
Rental Receivables	-	1 217 999

	2017 R	2016 R
9. CONSUMER DEBTORS DISCLOSURE (continued)		
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2 861	5 579 331
Net balance	**2 861**	**6 797 330**
Rates		
91 - 120 days	2 861	5 579 332
Rental Receivables		
Current (0 -30 days)	-	90 602
31 - 60 days	-	41 063
61 - 90 days	-	41 142
91 - 120 days	-	1 045 192
	-	**1 217 999**
Summary of debtors by customer classification		
Residential, rentals, farms and small holdings		
91 - 120 days	6 042 228	3 695 329
	6 042 228	3 695 329
Less: Allowance for impairment	(6 042 228)	(2 449 519)
	-	**1 245 810**
Industrial/ commercial		
91 - 120 days	13 679 538	7 938 661
	13 679 538	7 938 661
Less: Allowance for impairment	(13 676 678)	(7 930 211)
	2 860	**8 450**
National and provincial government		
91 - 120 days	738 244	5 443 170
	738 244	5 443 170
Less: Allowance for impairment	(738 244)	-
	-	**5 443 170**
Total		
91 - 120 days	20 460 010	17 077 160
	20 460 010	17 077 160
Less: Allowance for impairment	(20 457 149)	(10 379 730)
	2 860	**6 697 430**
Less: Allowance for impairment		
91 - 120 days	(20 457 149)	(10 379 730)

	2017 R	2016 R

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	12 200 771	23 110 038
Short-term deposits	26 964 947	25 276 592
	39 165 718	**48 386 630**

Cash and cash equivalents pledged as collateral

Nofinancial assets were pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
ABSA Bank - Primary Bank Account - Acc no:407801332	12 200 734	23 110 038	2 166 699	12 200 734	23 110 038	2 166 699
FNB - Short-term Deposits - 62360911202	24 502 833	22 968 908	21 751 610	24 502 833	22 968 908	21 751 610
FNB - Short-term Deposit - 62371561062	2 460 626	2 306 197	2 176 431	2 460 626	2 306 197	2 176 431
Standard Bank - Short-term Deposits - 48549592	1 487	1 487	1 487	1 487	1 487	1 487
Total	**39 165 680**	**48 386 630**	**26 096 227**	**39 165 680**	**48 386 630**	**26 096 227**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

11. FINANCE LEASE OBLIGATION

	2017 R	2016 R
Minimum lease payments due		
- within one year	4 738 247	1 310 580
- in second to fifth year inclusive	3 918 059	2 621 160
- later than five years	-	-
	8 656 306	3 931 740
less: future finance charges	(813 146)	(571 531)
Present value of minimum lease payments	**7 843 160**	**3 360 209**
Present value of minimum lease payments due		
- within one year	4 108 715	1 005 221
- in second to fifth year inclusive	3 734 445	2 354 988
- later than five years	-	-
	7 843 160	**3 360 209**
Non-current liabilities	3 734 445	2 354 988
Current liabilities	4 108 715	1 005 221
	7 843 160	**3 360 209**

Anaka Group: The municipality entered into a lease agreement on 1 May 2016. The first instalement is due on 1 July 2016 and the final instalment will be made on 1 June 2019.
A deposit amounting to R3 931 740 was paid on this lease. Interest in charged at 10,5% per annum

Kwane Capital: The municipality entered into a lease agreement on on 27 June 2016. The first instalement is due on 31 August 2016 and the final instalment will be made on 28 July 2019.
A deposit amounting to R5 426 934 was paid on this lease. Interest in charged at 10,5% per annum.

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

	2017 R	2016 R
Unspent conditional grants and receipts		
Local Government Seta	-	19 463
Department of Sports, Arts and Culture Library Grant	787 145	569 801
	787 145	**589 264**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

	2017 R	2016 R

13. PROVISIONS

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	17 001 318	2 517 789	19 519 107
Long Service Award Liability	794 588	235 428	1 030 016
	17 795 906	**2 753 217**	**20 549 123**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	16 764 390	236 928	-	17 001 318
Legal proceedings	440 000	-	(440 000)	-
Long Service Award Liability	707 177	87 411	-	794 588
	17 911 567	**324 339**	**(440 000)**	**17 795 906**

	2017	2016
Non-current liabilities	926 727	745 583
Current liabilities	19 622 396	17 050 323
	20 549 123	**17 795 906**

Environmental rehabilitation provision

Key Assumptions

The timing for the possible outflow of resources for the maintenance and rehabilitation of the illegal dumping site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforseen items.
- Included in the amount is a part time Civil Engineer as a site supervisor, a part time Occupational Health and Safety Officer and an Environment Control Officer to ensure that the site is closed in a safe manner and in terms of the OHS Act, the license and the Environmental Management Program.
- The rates used to determine the construction amount (cost) are based on current or recent constracts undertaken in similar circumstances in the local area.

Based on the key assumptions an estimated amount was calculated. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2017 when the construction project is actually undertaken.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

	2017 R	2016 R

13. PROVISIONS (continued)

Long Service Award Liability

Key Assumptions

Financial Assumptions: It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount Rate: The discount rate required by GRAP19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. A greater emphasis is placed on the duration of the liabilities when determining the discount rate as per the revised GRAP 19 requirements. With this in mind, we have set the discount rate by using the “best fit” discount rate at 30 June 2017 which we have based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 9 years. The recommended discount rate of 8,83% for the 2015-16 financial year increases by 0.09% to 8.92% in the 2016-17 financial year.

General Salary Increase: This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms.The implied inflation is 5.72% per annum for future inflation. Future salaries are expected to increase in line with inflation. We assume that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6.72% pef annum. It has been assumed that the next salary increase will take place in 1 July 2017

Average Retirement Age: The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade payables and Accruals	5 963 801	3 116 236
Retentions	2 405 333	3 578 026
Other creditors	1 896 193	1 531 838
Accrued leave pay	3 459 368	3 658 878
Accrued bonus	546 494	452 745
Accrued performance bonus	-	532 905
Finance lease creditor	109 215	-
	14 380 404	**12 870 628**

15. REVENUE

	2017 R	2016 R
Rental of facilities and equipment	1 221 717	1 032 673
Interest received (trading)	256 358	293 722
Other income	738 948	649 215
Interest received - investment	3 362 014	2 581 478
Property rates	18 208 584	17 687 874
Government grants & subsidies	132 118 845	137 779 558
Donations Received	15 840 775	-
	171 747 241	**160 024 520**

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

	2017 R	2016 R
Rental of facilities and equipment	1 221 717	1 032 673
Interest received (trading)	256 358	293 722
Other income	738 948	649 215
Interest received - investment	3 362 014	2 581 478
	5 579 037	**4 557 088**

	2017 R	2016 R
15. REVENUE (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	18 208 584	17 687 874
Transfer revenue		
Government grants & subsidies	132 118 845	137 779 558
Donations Received	15 840 775	-
	166 168 204	**155 467 432**
16. RENTAL OF FACILITIES AND EQUIPMENT		
Facilities and equipment		
Rental of facilities	1 221 717	1 032 673
17. OTHER INCOME		
Other income	738 948	649 215
18. INVESTMENT REVENUE		
Interest revenue		
Bank	3 362 014	2 581 478

	2017 R	2016 R

19. PROPERTY RATES

Rates received

Residential	127 584	126 864
Commercial	46 596	46 596
State	27 284 711	12 711 780
Small holdings and farms	6 677 363	6 659 659
Less: Income forgone	(15 927 786)	(1 857 025)
	18 208 468	**17 687 874**

Valuations

Residential	21 264 001	20 904 000
Commercial	3 883 000	3 585 010
State	738 797 964	735 639 101
Small holdings and farms	4 444 715 551	4 438 057 500
	5 208 660 516	**5 198 185 611**

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

Rate tariffs are applied to properties as per property classification/catergory to determine assessment rates. Rebates of 85% are granted to farm property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being the end of each finacial year. Rates will be subject to a discount of 5% if paid on or before 30 September of each year.

20. GRANTS AND SUBSIDIES PAID

Other subsidies		
SMME Development	460 065	942 155
Crafts Development Project	-	35 380
Nursery Development Project	33 818	96 341
Ecocircle garden system	4 915	114 650
Goat Breeding Project	749 382	323 197
Heritage programmes	265 474	28 500
Community Works Programme	250 548	265 388
Disaster Management	611 611	728 307
Tourism initiative	-	137 000
Ditshukutshwaneng Project	28 910	212 419
Recycling project	120 000	67 815
Talent development project	-	55 200
	2 524 723	**3 006 352**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

21. GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Equitable share	99 212 000	103 001 000
Financial Management Grant	2 749 000	2 616 000
Extended Public Works Programme Grant	1 025 000	1 014 000
Local Government Seta Grant	153 189	333 934
	103 139 189	**106 964 934**
Capital grants		
Municipal Infrastructure Grant	28 697 000	29 154 000
Department of Sports, Arts and Culture Library Grant	282 656	730 624
Municipal System Improvement Grant	-	930 000
	28 979 656	**30 814 624**
	132 118 845	**137 779 558**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	32 906 845	34 778 558
Unconditional grants received	99 212 000	103 001 000
	132 118 845	**137 779 558**

Equitable Share

The grant is used to fund the operations of the municipality inaccordance with the approved MTREF budget..

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 749 000	2 616 000
Conditions met - transferred to revenue	(2 749 000)	(2 616 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant is mainly used for supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.

	2017 R	2016 R

21. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Extended Public Works Programme Grant

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current-year receipts	1 025 000	1 014 000
Conditions met - transferred to revenue	(1 025 000)	(1 014 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant was used by municipality to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; and sustainable land based livelihoods.

Local Government Seta

	2017 R	2016 R
Balance unspent at beginning of year	19 463	56 906
Current-year receipts	133 726	296 491
Conditions met - transferred to revenue	(153 189)	(333 934)
	-	**19 463**

Conditions still to be met - remain liabilities (see note 12).

This grant is used for skills development within the Kagisano Molopo Local Municipality.

Municipal Infrastructure Grant

	2017 R	2016 R
Current-year receipts	28 697 000	29 154 000
Conditions met - transferred to revenue	(28 697 000)	(29 154 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant & equipment whilst the unspent portion of the grant is included in current liabilities.

Department of Sports, Arts and Culture Library Grant

	2017 R	2016 R
Balance unspent at beginning of year	569 801	880 425
Current-year receipts	500 000	420 000
Conditions met - transferred to revenue	(282 656)	(730 624)
	787 145	**569 801**

Conditions still to be met - remain liabilities (see note 12).

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software.

	2017 R	2016 R

21. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Municipal System Improvement Grant

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant is meant to assist the municipality to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

22. EMPLOYEE RELATED COSTS

	2017 R	2016 R
Employee related costs - Salaries and Wages	17 741 497	15 013 001
Performance and other bonuses	1 092 642	1 348 290
Employee related costs - Contributions for UIF, pensions and medical aids	3 902 306	3 369 137
Travel, motor car, accommodation, subsistence and other allowances	5 267 016	4 291 371
Long-service awards	278 811	123 462
Housing benefits and allowances	87 790	145 606
Other employee related costs	500 968	989 676
	28 871 030	**25 280 543**

Remuneration of municipal manager

	2017 R	2016 R
Annual Remuneration	1 278 132	1 275 032
Performance- and other bonuses	289 993	-
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	341 404	252 248
Contributions to UIF, Medical and Pension Funds	115 982	104 571
	2 025 511	**1 631 851**

Included in above summary of Employee Related Costs.

Remuneration of the chief financial officer (Acting)

	2017 R	2016 R
Annual Remuneration	615 597	194 333
Performance- and other bonuses	122 174	14 576
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	56 397	482 353
Contributions to UIF, Medical and Pension Funds	99 844	56 144
	894 012	**747 406**

Included in above summary of Employee Related Costs.

	2017 R	2016 R

22. EMPLOYEE RELATED COSTS (continued)

Remuneration of corporate services director

	2017 R	2016 R
Annual Remuneration	372 865	728 840
Performance- and other bonuses	85 172	-
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	145 769	213 435
Contributions to UIF, Medical and Pension Funds	79 645	141 146
Other	180 996	-
	864 447	**1 083 421**

Included in above summary of Employee Related Costs.

Remuneration of the community services director

	2017 R	2016 R
Annual Remuneration	-	71 708
Performance- and other bonuses	-	-
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	-	-
Contributions to UIF, Medical and Pension Funds	-	6 129
Other	-	6 289
	-	**84 126**

Included in above summary of Employee Related Costs.

Remuneration of Good Governance Director (Acting)

	2017 R	2016 R
Annual Remuneration	424 458	183 780
Performance- and other bonuses	112 587	13 623
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	4 800	428 771
Contributions to UIF, Medical and Pension Funds	62 951	48 831
	604 796	**675 005**

Included in above summary of Employee Related Costs.

Remuneration of Techical Services Director (Acting)

	2017 R	2016 R
Annual Remuneration	681 834	284 492
Performance- and other bonuses	28 248	24 011
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	147 870	475 884
Contributions to UIF, Medical and Pension Funds	70 419	53 141
	928 371	**837 528**

Included in above summary of Employee Related Costs.

Remuneration of the Director community services (Acting)

	2017 R	2016 R
Annual Remuneration	520 984	165 972
Performance- and other bonuses	63 724	14 924
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	80 338	449 017
Contributions to UIF, Medical and Pension Funds	115 729	65 475
	780 775	**695 388**

Included in above summary of Employee Related Costs

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

22. EMPLOYEE RELATED COSTS (continued)

Remuneration of Director Community Services (Acting)

	2017 R	2016 R
Annual Remuneration	337 742	-
Car Allowance	19 018	-
Performance Bonuses	139 296	-
Contributions to UIF, Medical and Pension Funds	42 276	-
	538 332	**-**

23. REMUNERATION OF COUNCILLORS

	2017 R	2016 R
Executive Major	774 226	723 233
Speaker	682 361	595 968
Councillors	3 498 061	2 983 542
Executive Committee Members	2 191 157	2 773 080
Councillors’ pension and medical aid contributions	468 705	506 208
Councillors' allowances	2 053 558	1 963 662
	9 668 068	**9 545 693**

In-kind benefits

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

The Mayor has use of the Council owned vehicle with two full time drivers for official duties.

24. DEPRECIATION AND AMORTISATION

	2017 R	2016 R
Property, plant and equipment	19 369 364	16 142 261
Intangible assets	49 760	27 741
	19 419 124	**16 170 002**

25. IMPAIRMENT OF ASSETS

	2017 R	2016 R
Impairments		
Property, plant and equipment	954 814	(736 651)
Assets not found at year end during the physical asset count, as a result condition assessment and useful life review could not be completed. Impairment of Ganyesa Sports facility, as it is currently undergoing a total revamp.		

26. FINANCE COSTS

	2017 R	2016 R
Trade and other payables	41 243	82 968
Finance leases	965 771	-
	1 007 014	**82 968**

27. DEBT IMPAIRMENT

	2017 R	2016 R
Contributions to debt impairment provision	10 056 386	3 614 927

The movement in bad debts relate to an increase in the provision of impairment of receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

28. CONTRACTED SERVICES

Information Technology Services	5 068 644	4 863 681
Fleet Services	265 706	223 550
Specialist Services	7 103 843	8 534 842
Other Contractors	22 674 547	15 573 371
	35 112 740	**29 195 444**

29. GENERAL EXPENSES

Advertising	558 478	125 558
Auditors remuneration	2 907 869	3 942 937
Bank charges	83 156	68 832
Books and publications	23 180	17 791
Community functions	5 879 722	2 793 560
Software expenses	864 602	20 085
Legal expenses	2 435 744	302 378
Entertainment - Councillors	15 841	2 738
Maintenance of illegal / Dumping site	2 517 789	236 929
Entertainment - Officials	-	61 951
Rental: Equipment	1 319 482	1 199 885
Insurance	1 537 695	868 509
Bursaries	1 003 577	953 144
Conferences and seminars	143 142	1 316
Disability funds	252 557	147 555
Internet charges	-	350 877
Employee assistance and wellness	92 296	133 090
Telephone	1 863 337	654 878
Workmans compensation	182 470	367 538
Mayoral outreach programmes	846 800	948 165
Membership fees: Societies	507 500	528 500
Vehicles: Licenses	33 372	24 062
Vehicles: Fuel and oil	3 093 047	2 575 405
Postage and courier	-	1 004
Printing and stationery	166 114	241 196
Promotions	1 782 777	3 876 545
Protective clothing	790	119 395
MME Development	45 795	-
Refreshments and meals	1 674 764	1 273 086
Subscriptions and membership fees	2 550	-
Mayoral inauguration	42 750	-
Training	1 213 122	669 637
Small tools and equipment	515 545	465 744
Electricity	6 473 198	3 615 653
General expenses	49 566	417 300
Travel and subsistence: Officials	1 492 090	1 507 809
Licenses and permits	2 074	76 500
Expanded Public Works Programme	3 524 310	4 654 684
Travel and subsistence: Councillors	1 302 883	911 297
Pauper Burials	221 506	186 666
Health Support Programmes	6 700	26 200
Excellence Awards	359 819	237 370
Youth and Elderly Support Programmes	974 635	773 550
Ward Participation Support	4 853 137	2 134 107
	50 865 781	**37 513 426**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

30. FAIR VALUE ADJUSTMENTS

Investment property (Fair value model)	3 054 522	1 371 888

31. AUDITORS' REMUNERATION

Fees	2 907 869	3 942 937

32. CASH GENERATED FROM OPERATIONS

Surplus	13 744 166	35 517 019
Adjustments for:		
Depreciation and amortisation	19 419 124	16 170 002
Loss on sale of assets and liabilities	-	(5 618)
Fair value adjustments	(3 054 522)	(1 371 888)
Finance costs - Finance leases	965 771	-
Impairment loss (reversal)	954 814	(736 651)
Debt impairment	10 056 386	3 614 927
Movements in provisions	2 753 217	(115 661)
Changes in working capital:		
Receivables from exchange transactions	1 217 999	(394 893)
Receivables from non-exchange transactions	(3 911 663)	7 354 393
PPE Donations Received	(15 840 777)	-
Payables from exchange transactions	1 509 778	(876 970)
VAT	3 824 625	4 202 551
Unspent conditional grants and receipts	197 881	(348 068)
	31 836 799	**63 009 143**

	2017 R	2016 R

33. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	-	-
Other receivables from non-exchange transactions	-	964 658	964 658
Cash and cash equivalents	39 165 718	-	39 165 718
	39 165 718	**964 658**	**40 130 376**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	14 380 404	14 380 404
Finance Lease Obligation	7 843 160	-	7 843 160
	7 843 160	**14 380 404**	**22 223 564**

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 217 999	1 217 999
Other receivables from non-exchange transactions	-	7 109 381	7 109 381
Cash and cash equivalents	48 499 495	-	48 499 495
	48 499 495	**8 327 380**	**56 826 875**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	12 870 629	12 870 629
Finance Lease Obligation	3 360 209	3 360 209	6 720 418
	3 360 209	**16 230 838**	**19 591 047**

	2017 R	2016 R

34. CONTINGENCIES

	2017 R	2016 R
Contingent Liability		
Mr K Dijwe	-	1 519 264

Mr Dijwe instituted an action against the municipality for the recovery of damages that he allegedly suffered as a result of the alleged malicious prosecution, including claims on interest and costs.

An order of absolution from the instance was given by the High Court In Mmabatho whereafter he applied for leave to appeal such order. The application for leave to appeal was denied, whereupon Mr. Dijwe successfully petitioned the Appeal Court for such leave.

The likelihood is that the appeal will succeed in favour of the Plaintiff.

In 2016/17, the plantiff failed to pursue an appeal of the judgement in favour of the Municipality. The judgement of absolution from the instance with costs therefore stands.

Continued medical aid benefits	-	-

Kagisano-Molopo local municipality was formed through a merger of Kagisano and Molopo local municipality. The former Molopo Local municipality offered some of its employees, as part of the conditions of service, a benefit of continuation of the medical aid subsidy provided during employment upon the employees' retirement from the municipality.

There is uncertainty as to whether the aforementioned benefit obligation is applicable to the employees of the merged Kagisano-Molopo Municipality and in particular if the former employees of the former Moloplo local municipality were transferred with this benefit. The employee contracts make no mention of this benefit and it is the opinion of the Municipality that employees are no longer entitled to receive this benefit.

There is a possibility that the former Molopo employees will however demand post-employment medical aid benefit from the municipality and will base it on the constructive obligation created by Molopo. There is likelihood that this may result in litigation, and employees of the municipality demanding the same obligation upon retirement is reached.

During 2016-17 financial year, management investigate the matter and determined that there are no obligation to pay post retirement benefits to the former Molopo local municipality.

MH Office Machines and Stationers CC	129 040	129 040

This entity instituted legal action against the Municipality for the recovery of an amount of R69 638.36 allegedly due to it in respect of delivered and services rendered. The matter is being defended.

	2017 R	2016 R

34. CONTINGENCIES (continued)

The Public Protector	825 709	-

The Municipality initiated Court proceedings in terms of which The Public Protector remedial action was reviewed and it recommended that the municipality should pay an amount of R649 909.40 to Nduza Security Services.

Following the legal advise from its team, the municipality agreed to have the remedial action reviewed and set aside, and the case thereof was registered in the North West High Court.

SILVEX 259 CC	958 670	-

This matter was initiated by Silvex following allegation of damages claim amounting to R728 170.44 and this matter was registered at North West High Court.

Silvex claim is mainly based on the balance of the retention fee and outstanding invoice and the municipality disputes same, and our counterclaim is that Silvex did not complete the job according to the specifications.

Currently we have applied for trial date and we await allocation thereof.

Contingent Assets	-	-
Mr Dijwe	545 493	-

Mr Dijwe instituted an action against the municipality for the recovery of damages that he allegedly suffered as a result of the alleged malicious prosecution, including claims on interest and costs.

An order of absolution from the instance was given by the High Court In Mmabatho whereafter he applied for leave to appeal such order. The application for leave to appeal was denied, whereupon Mr. Dijwe successfully petitioned the Appeal Court for such leave.

In 2016/17, the plantiff failed to pursue an appeal of the judgement in favour of the Municipality. The judgement of absolution from the instance with costs therefore stands.

There is a likelihood that the municipality may proceed with attempts at recovering the cost from Mr Dijwe.

Realkit Investments	-	-
	-	-

The municipality instituted legal action against the Realkit Investments for constructing a building on the premises of the municipality during 2016/17 financial year. The right to occupy the land was given by the Ganyesa communal authority where the Ganyesa taxi rank is currently situated. The municipality is of the opinion that the construction of the building was done without the consent of the municipality.

The matter is currently being procecuted in court and the possible financial exposure could not be determined at year-end.

Kwane Capital	5 426 934	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
34. CONTINGENCIES (continued)		
A letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings. A Letter was received from Kwane's attorneys on the 4th of October 2017 containing certain representations. On the 17th of October 2017 K wane' s attorneys were notified that their representations were not acceptable and demanding re-payment of the amount paid over to them.	-	-

35. COMMITMENTS

Authorised capital expenditure

	2017 R	2016 R
Approved and contracted for		
• Property, plant and equipment	43 213 321	91 788 142
Approved but not yet contracted for		
• Property, plant and equipment	81 899 000	94 577 000
Total capital commitments		
Approved and contracted for	43 213 321	91 788 142
Approved but not yet contracted for	81 899 000	94 577 000
	125 112 321	**186 365 142**

	2017 R	2016 R

36. RELATED PARTIES

Relationships

Accounting Officer - Mr AR Khuduge	Refer to accounting officer's report note
Accounting Officer (Acting) - Mr KC Mahusi	Refer to accounting officer's report note
Dr Ruth S Mompati District Municipality	The internal audit services are regarded as services-in-kind and the monetary value of these services could not be determined.
Close family member of key management	Declarations of interest was circulated to all employees and a CIPC search performed.
Members of key management	Mr OO Ntsimane (Acting) Mr DE Marumo (Acting) Ms RJ Itumeleng (Acting) Mr KC Mahusi (Acting)

The following related party transactions occurred between the municipality and its key management, including the audit committee.

Related party transactions

	2017	2016
Purchases from SG Ngamole (Councillor)		
Reamogetswe Catering and Cleaning Services	137 050	-
Purchases from OA Phillip (Councillor)		
Pro Phillip Logistic	22 350	-
Purchases from ML Manyeke		
AB Mosilabele Transport and All Aspects	109 840	-
Purchases from LE Goabepe-Boema (Councillor)		
Omphemetse Lorato (PTY) Ltd	7 650	-
Purchases from BB Dithakgwe (Councillor)		
Edmunds Trading Enterprise (PTY) Ltd	6 875	-
Purchased from SO Lekgari		
Ratang Tiro Trading (Pty) Ltd	187 925	-

	2017 R	2016 R

37. PRIOR PERIOD ERRORS

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position:	2016	2015
1. Decrease in other receivables from non-exchange transactions		22 657
Increase in Accumulated surplus		
Commission received from collecting insurance premiums and maternity salary deduction incorrectly recorded in the prior year, now corrected. (#1 Statement of Financial Performance)		
2. Increase in Trade and other payables from exchange transactions	63 542	
Correction of Bonus Provision calculated incorrectly in the prior year (#1 Statement of Financial Performance)		
3. Increase in Property, plant and equipment (Capital Projects WIP)	223 601	
Decrease in Property, plant and equipment (Capital Projects)	223 601	
Correction of incorrect posting of YE journal 42, relating to Manyeledi community hall.		
4. Increase in Property, plant and equipment (Community Assets)	37 332	
Decrease in Property, plant and equipment (Capital Projects WIP)	37 333	
Correction of capitalisation of addition (2015-16) relating to completed Manyeledi community hall.		
5. Increase in Property, plant and equipment (Capital Projects WIP)	153 560	
Decrease in Property, plant and equipment (Halls)	153 560	
Prior year error, reallocation of prior year WIP to completed projects - Manyeledi Community Hall		
6. Decrease in Property, plant and equipment (Accumulated depreciation)		911
Correction of opening accumulation depreciation - Manyeledi Community Hall 30 June 2015 (#2 Statement of Financial Performance)		
7. Decrease in Property, plant and equipment (Accumulated depreciation)	4 752	
Correction of depreciation - Manyeledi Community Hall, 30 June 2016 (#3 Statement of Financial Performance)		
8. Decrease in Property, plant and equipment		662 931
Decrease in VAT receivable		92 810
Decrease in Trade and other payables from exchange transactions		755 741
Reversal of trade creditors incorrectly recorded(#5 Statement of Financial Performance)		
	492	
9. Decrease in Property, plant and equipment (Accumulated depreciation)		
Correction of depreciation - Goodwood Community Hall, 30 June 2016 (#4 Statement of Financial Performance)		
10. Increase in Property, plant and equipment (Buildings)		2 204 400
Increase in Property, plant and equipment (Accumulated depreciation)		548 879
Increase in accumulated surplus	-	1 655 521
Correction of recognition of KMLM main building incorrectly excluded in prior year, including depreciation, 30 June 2015(#5 Statement of Financial Performance)		-
11. Decrease in Property, plant and equipment (Buildings)		
Correction of recognition of depreciation on KMLM main building as at 30 June 2016 (#6 Statement of Financial Performance)	73 480	
12. Increase in Property, plant and equipment (Infrastructure)	2 386 253	
Increase in Property, plant and equipment (Accumulated depreciation)	52 159	
Decrease in Property, plant and equipment (Halls)	2 386 253	
Decrease in Property, plant and equipment (Accumulated depreciation)	52 129	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
37. PRIOR PERIOD ERRORS (continued)		
Correction of completed cemetery projects not capitalised in prior year (#8 Statement of Financial Performance)	-	-
13. Increase in Property, plant and equipment (Capital Projects WIP)		843 824
Decrease in Property, plant and equipment (Road Network)		843 824
Reallocation of prior year WIP to completed projects - Bray internal roads		
14. Increase in Property, plant and equipment (Cemeteries)	517 447	
Decrease in Property, plant and equipment (Capital Projects)	152 753	
Decrease in Property, plant and equipment (Capital Projects WIP)	233 993	
Correction of completed cemetery projects not capitalised in prior year (#8 Statement of Financial Performance)		
15. Increase in Accumulated surplus	47 004	
Decrease in Property, plant and equipment (Accumulated depreciation)	47 003	
Correction of depreciation on prior year Bray road adjustment.		
16. Increase in Trade and other payables from exchange transactions	15 141	
Increase in VAT Receivable	1 859	
Increase in General Expenses	13 282	
Recognition of creditors not accounted for in prior year.		
17. Decrease in property, plant and equipment	-	681 785 61
Decrease in accumulated depreciation	25 100 285	175 701 99
Decrease in accumulated surplus	-	506 083 62
Correction of prior period roads infrastructure transfer to Public works.		
18. Increase in Receivables from non exchange transactions	1 564 589	1564589
Correction of incorrect billing on state debtors		
19. Increase in Trade and other payables from exchange transactions	417 387	-
Correction of salary back pay not accounted for in prior year. (#10 Statement of Financial Performance)	-	-
20. Increase in Property, plant and equipment (Land)	2 382 384	-
Decrease in Investment Property	2 382 384	-
Correction of land incorrectly included as investment property in the prior year.	-	-
21. Decrease in Property, palnt and equipment (Eletricity networks)	-	1 090 754
Decrease in accumulated depreciation	34 086	238 602
Decrease in accumulated surplus	-	852 151
Reversal of electricity networks incorrectly accounted for (#12 Statement of Financial Performance)	-	-
Statement of Financial Performance:	**2016**	**2015**
1. Decrease in Employee Related Costs	63 542	-
Correction of Bonus Provision calculated incorrectly in the prior year (#2 Statement of Financial Position)	-	
2. Decrease in Depreciation and amortisation		911
Correction of opening accumulation depreciation - Manyeledi Community Hall 30 June 2015 (#6 Statement of Financial Position)	-	-
3. Decrease in Depreciation and amortisation	4 752	
Correction of depreciation - Manyeledi Community Hall, 30 June 2016 (#7 Statement of Financial Position)		
4. Decrease in Depreciation and amortisation	492	
Correction of depreciation - Manyeledi Community Hall, 30 June 2016 (#9 Statement of Financial Position)		
5. Increase in Depreciation and amortisation	-	548 879
Correction of recognition of KMLM main building incorrectly excluded in prior year, including depreciation, 30 June 2015(#10 Statement of Financial Position)	-	

	2017 R	2016 R

37. PRIOR PERIOD ERRORS (continued)

6. Increase in Depreciation and amortisation	73 480	
Correction of recognition of depreciation on KMLM main building as at 30 June 2016 (#11 Statement of Financial Position)	-	-
7. Decrease in Depreciation and amortisation	52 158	
Reallocation of asset additions from community assets to infrastructure assets (#12 Statement of Financial Position)		
8. Decrease in Grants and subsidies paid	130 700	
Correction of completed cemetery projects not capitalised in prior year (#14 Statement of Financial Position)		
9. Increase Property Rates	1 564 589 1564589	
Correction of incorrect billing on state debtors (#18 Statement of Financial Position)		
10. Increase in Employee Related Costs	417 387	-
Correction of salary back pay not accounted for in prior year. (#18 Statement of Financial Position)	-	-
11. Decrease in Depreciation and amortisation	25 100 285	25 100 285
Correction of prior period roads infrastructure transfer to Public works.(#18 Statement of Financial Position)	-	-
12, Decrease in Depreciation and amortisation	34 086	34 086
Reversal of depreciation relating to electricity networks (#21 Statement of Financial Position)	-	-

38. RISK MANAGEMENT

Liquidity risk

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

Credit risk

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

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

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

Financial instrument	2017	2016
Current Account (Primary Bank Account) - ABSA Acc no: 407801332	12 200 734	23 110 038
Other short-term investments	26 964 947	25 389 457
Trade Receivables	1 158 047	1 817 355

These balances represent the maximum exposure to credit risk.

39. GOING CONCERN

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

40. EVENTS AFTER THE REPORTING DATE

Adjusting events:

- A possible contingent asset arised after year end as a letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings and request for a refund of the deposit as paid to Kwane.
- Contingent Asset 5 426 934 -

41. UNAUTHORISED EXPENDITURE

	2017 R	2016 R
Opening Balance	101 151 349	61 093 693
Unauthorised Expenditure - current year	17 605 127	40 057 656
- Condoned or written off by Council	-	-
- Transfer to receivables for recovery - not condoned	-	-
	118 756 476	**101 151 349**

Incident & Disciplinary steps/criminal proceedings

Unauthorised expenditure is due to the overspending of the total amount appropriated for a vote in the approved budget.

i) No criminal or disciplinary steps were taken after investigation process.

Ii) No material losses have been recovered.

42. FRUITLESS AND WASTEFUL EXPENDITURE

	2017 R	2016 R
Opening balance	1 878 129	1 795 161
Fruitless and wasteful expenditure - current year	41 243	82 968
- Condoned or written of by Council	-	-
- To be recovered	-	-
	1 919 372	**1 878 129**

Disciplinary steps/criminal proceedings

The fruitless and wasteful expenditure mainly relates to penalties and interest charged on overdue accounts. Investigations is ongoing.

i) No criminal or disciplinary steps were taken after investigation process.
Ii) No material losses have been recovered.

43. IRREGULAR EXPENDITURE

	2017 R	2016 R
Opening balance	242 164 289	113 286 183
Add: Irregular Expenditure - prior year identified in the current year	-	70 308 217
Add: Irregular Expenditure - current year	34 407 425	61 413 889
Less: Irregular Expenditure written off	-	(2 844 000)
	276 571 714	**242 164 289**

Analysis of expenditure awaiting condonation per age classification

	2017 R	2016 R
Current year	34 407 425	61 413 889
Prior years	242 164 289	180 750 400
	276 571 714	**242 164 289**

	2017 R	2016 R

43. IRREGULAR EXPENDITURE (continued)

Incident & Disciplinary steps/criminal proceedings

	Condoned by (condoning authority)		
Items are under investigation	Not condoned or written off		276 571 714

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

SALGA

	2017	2016
Opening balance	-	-
Current year subscription / fee	500 000	500 000
Amount paid - current year	(475 000)	(475 000)
Discount received on early settlement	(25 000)	(25 000)
	-	-

Audit fees

	2017	2016
Opening balance	132 366	40 816
Current year subscription / fee	3 313 811	2 813 288
Amount paid - current year	(3 313 811)	(2 680 918)
Amount paid - previous years	(132 366)	(40 820)
	-	**132 366**

Audit fees balance include interest levied.

PAYE and UIF

	2017	2016
Opening balance	36 881	1 196 893
Current year subscription / fee	5 556 163	4 590 887
Amount paid - current year	(5 556 163)	(4 590 887)
Amount paid - previous years	-	(1 201 892)
Interest paid	-	41 880
	36 881	**36 881**

Pension and Medical Aid Deductions

	2017	2016
Opening balance	(17 355)	(17 355)
Current year subscription / fee	6 734 630	6 003 654
Amount paid - current year	(6 734 630)	(6 003 654)
	(17 355)	**(17 355)**

VAT

	2017	2016
VAT receivable	2 626 282	6 450 907

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

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

	2017 R	2016 R

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Supply chain management regulations

Procurement not in line with the Supply Chain Management Regulations

i) No criminal or disciplinary steps were taken after investigation process.
Ii) No material losses have been recovered.

45. BUDGET DIFFERENCES

Material differences between budget and actual amounts

A. Current economic climate resulted in a decrease in rentals..

B. Current economic climate resulted in a increase in trading interest charges.

C. The adjusted budget included the VAT recovery.

D. No withdrawals were made from investment accounts, hence higher interest received

E. Additions of Department of Public Works Properties resulted in a higher collection.

F. Conditional Grants Received were spent resulted in an increase

G. The municipality under budgeted for non cash item to ensure that the budget is cash backed.

H. Reversal of assets written off recorded after physical assets counts conducted.

II. Finance Cost, Bad Debts, Repairs and Maintenance, Transfers and Subsidies are budgeted for under the General Expenses classification. In total the General Expenses was underspent as a result of cost containment measures.

J. Capacity issues resulted in the services of professionals procured

K. Donation relating to the transfer of community library from Department of Culture and Traditional Affairs were higher then expected.