



Xhariep District Municipality  
(Registration number DC16)  
Financial statements  
for the year ended June 30, 2017

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## General Information

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### Legal form of entity

South African Category C Municipality as defined by the Municipal Structures Act (Act no 117 of 1998).

### Nature of business and principal activities

Xhariep District Municipality is a district municipality performing the function as set out in the constitution (Act no 105 of 1996).

The Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.

### Mayoral committee

Executive Mayor

Cllr MJ Sehanka

Speaker

Cllr NS Mqungquthu

Councillors

Cllr AJ van Rensburg

Cllr MG Ntwanambi

Cllr B Smit

Cllr TS Tseuo

Cllr C Burger

Cllr MJ Phaliso

Cllr TD Mochechepa

Cllr ML Mogapi

Cllr J Moitse

Cllr AN November

Cllr JM Moeketsi

Cllr IS Riddle

The Following Councillors Term Ended on the 2nd August 2016.

Cllr GM Modise

Cllr TE Mokhele

Cllr NS Jafta

Cllr PM Dibe

Cllr MJ Mohapi

Cllr NI Mehlomakulu

Cllr NC Spochter

Cllr H Shebe

Cllr SA Sola

Cllr JJ Makitle

Cllr MJ Mothupi

Cllr AV Mona

Cllr ML Sehloho

### Accounting Officer

LY Moletsane

### Chief Finance Officer (CFO)

MWK Morufane

Acting Chief Financial Officer

### Registered office

20 Louw Street

Trompsburg

9913

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## General Information

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<b>Postal address</b>	P.O Box 136 Trompsburg 9913
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	PM Venter Mthembu Attorneys Friday Management Solutions
<b>Telephone</b>	051 713 9300
<b>Fax</b>	051 713 0461
<b>Website address</b>	<a href="http://www.xhariep.fs.gov.za">www.xhariep.fs.gov.za</a>

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

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SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MSIG	Municipal Systems Infrastructure Grant
MFMA	Municipal Finance Management Act
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
RRAMS	Rural Roads Asset Management Grant

# **Xhariep District Municipality**

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## **Accounting Officer's Responsibilities and Approval**

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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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that she 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 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 June 30, 2017 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Division of Revenue Allocations and the Provincial Department for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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 financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on November 30, 2017 and were signed on its behalf by:

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**LY Moletsane**  
**Accounting Officer**

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Accounting Officer's Report

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

### 1. Incorporation

The municipality was incorporated on 06 December 2001 and obtained its certificate to commence business on the same day.

### 2. Review of activities

#### Main business and operations

The municipality is engaged in providing services and operates principally in South Africa.

The operating result and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

### 3. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had accumulated surplus of R104,052 and that the municipality's total assets exceed its liabilities by R 104,052.

The 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

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

### 5. Accounting policies

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

### 6. Accounting Officer

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

Name	Nationality
LY Moletsane	RSA

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
Current Assets			
Inventories	6	60,117	48,099
Receivables from exchange transactions	7	660,630	578,904
VAT receivable	8	1,969,975	1,012,214
Cash and cash equivalents	9	1,888,698	593,205
		<b>4,579,420</b>	<b>2,232,422</b>
Non-Current Assets			
Property, plant and equipment	4	13,957,589	16,704,039
Intangible assets	5	2,120,927	-
		<b>16,078,516</b>	<b>16,704,039</b>
Non-Current Assets		16,078,516	16,704,039
Current Assets		4,579,420	2,232,422
<b>Total Assets</b>		<b>20,657,936</b>	<b>18,936,461</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	10	440,905	422,629
Payables from exchange transactions	13	17,370,748	10,412,943
Unspent conditional grants and receipts	11	1,026,452	933,530
Provisions	12	183,000	173,000
		<b>19,021,105</b>	<b>11,942,102</b>
Non-Current Liabilities			
Finance lease obligation	10	38,779	479,684
Provisions	12	1,494,000	1,307,999
		<b>1,532,779</b>	<b>1,787,683</b>
Non-Current Liabilities		1,532,779	1,787,683
Current Liabilities		19,021,105	11,942,102
<b>Total Liabilities</b>		<b>20,553,884</b>	<b>13,729,785</b>
Assets		20,657,936	18,936,461
Liabilities		(20,553,884)	(13,729,785)
<b>Net Assets</b>		<b>104,052</b>	<b>5,206,676</b>
Accumulated surplus		104,052	5,206,676

\* See Note 2 & 34

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received - investment	18	421,997	317,558
Other income	17	226,530	112,961
Fees earned	16	20,986	16,175
Rental of facilities and equipment	15	431,015	435,684
<b>Total revenue from exchange transactions</b>		<b>1,100,528</b>	<b>882,378</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	19	52,170,584	52,175,536
Public contributions and donations	20	-	258,250
LG SETA Income		39,253	130,135
<b>Total revenue from non-exchange transactions</b>		<b>52,209,837</b>	<b>52,563,921</b>
		1,100,528	882,378
		52,209,837	52,563,921
<b>Total revenue</b>	14	<b>53,310,365</b>	<b>53,446,299</b>
<b>Expenditure</b>			
Employee related costs	21	(36,819,319)	(34,811,050)
Remuneration of councillors	22	(3,960,804)	(4,045,049)
Depreciation and amortisation	23	(1,904,843)	(2,254,188)
Impairment loss/ Reversal of impairments	24	(1,038,459)	(35,530)
Finance costs	25	(518,144)	(399,800)
Lease rentals on operating lease		-	(104,613)
Debt Impairment	26	(1,439,954)	(1,184,104)
Donation and transfers		-	(2,896,757)
Repairs and maintenance		(112,677)	(298,070)
General Expenses	27	(12,827,126)	(14,596,156)
<b>Total expenditure</b>		<b>(58,621,326)</b>	<b>(60,625,317)</b>
		-	-
Total revenue		53,310,365	53,446,299
Total expenditure		(58,621,326)	(60,625,317)
<b>Operating deficit</b>		<b>(5,310,961)</b>	<b>(7,179,018)</b>
Actuarial gains/losses		223,762	308,923
(Loss) gain on assets	28	(15,425)	(134,042)
		<b>208,337</b>	<b>174,881</b>
Operating surplus/deficit		208,337	174,881
Deficit before taxation		(5,102,624)	(7,004,137)
<b>Deficit for the year</b>		<b>(5,102,624)</b>	<b>(7,004,137)</b>

\* See Note 2 & 34

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	12,017,228	12,017,228
Adjustments		
Prior year adjustments	193,585	193,585
<b>Balance at July 1, 2015 as restated*</b>	<b>12,210,813</b>	<b>12,210,813</b>
Changes in net assets		
Deficit for the year	(7,004,137)	(7,004,137)
Total changes	(7,004,137)	(7,004,137)
<b>Restated* Balance at July 1, 2016</b>	<b>5,206,676</b>	<b>5,206,676</b>
Changes in net assets		
Deficit for the year	(5,102,624)	(5,102,624)
Total changes	(5,102,624)	(5,102,624)
<b>Balance at June 30, 2017</b>	<b>104,052</b>	<b>104,052</b>

\* See Note 2 & 34

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		(360,956)	1,454,487
Grants		52,302,759	51,838,132
Interest income		421,997	317,558
		<u>52,363,800</u>	<u>53,610,177</u>
<b>Payments</b>			
Employee costs		(40,360,359)	(38,511,176)
Suppliers		(7,433,971)	(15,495,472)
Finance costs		(518,144)	(399,800)
		<u>(48,312,474)</u>	<u>(54,406,448)</u>
Total receipts		52,363,800	53,610,177
Total payments		(48,312,474)	(54,406,448)
<b>Net cash flows from operating activities</b>	30	<b><u>4,051,326</u></b>	<b><u>(796,271)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(212,275)	(424,354)
Proceeds from sale of property, plant and equipment	4	-	35,000
Purchase of intangible assets		(2,120,927)	-
		<u>(2,333,202)</u>	<u>(389,354)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Finance lease payments		(422,629)	45,629
		<u>(422,629)</u>	<u>45,629</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,295,495</b>	<b>(1,139,996)</b>
Cash and cash equivalents at the beginning of the year		593,205	1,733,202
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>1,888,700</u></b>	<b><u>593,206</u></b>

\* See Note 2 & 34

# Xhariep District Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	463,403	-	<b>463,403</b>	431,015	<b>(32,388)</b>	Note 47
Fees earned	110,713	-	<b>110,713</b>	20,986	<b>(89,727)</b>	Note 47
Other income	-	-	-	226,530	<b>226,530</b>	Note 47
Interest received - investment	-	-	-	421,997	<b>421,997</b>	Note 47
<b>Total revenue from exchange transactions</b>	<b>574,116</b>	-	<b>574,116</b>	<b>1,100,528</b>	<b>526,412</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	52,044,000	-	<b>52,044,000</b>	52,170,584	<b>126,584</b>	Note 47
LG SETA income	-	-	-	39,253	<b>39,253</b>	Note 47
<b>Total revenue from non-exchange transactions</b>	<b>52,044,000</b>	-	<b>52,044,000</b>	<b>52,209,837</b>	<b>165,837</b>	
'Total revenue from exchange transactions'	574,116	-	<b>574,116</b>	1,100,528	<b>526,412</b>	Note 46
'Total revenue from non-exchange transactions'	52,044,000	-	<b>52,044,000</b>	52,209,837	<b>165,837</b>	Note 46
<b>Total revenue</b>	<b>52,618,116</b>	-	<b>52,618,116</b>	<b>53,310,365</b>	<b>692,249</b>	
<b>Expenditure</b>						
Personnel	(37,944,956)	345,046	<b>(37,599,910)</b>	(36,819,319)	<b>780,591</b>	Note 47
Remuneration of councillors	(3,958,736)	(342,617)	<b>(4,301,353)</b>	(3,960,804)	<b>340,549</b>	Note 47
Depreciation and amortisation	(1,800,000)	-	<b>(1,800,000)</b>	(1,904,843)	<b>(104,843)</b>	Note 47
Impairment loss/ Reversal of impairments	-	-	-	(1,038,459)	<b>(1,038,459)</b>	Note 47
Finance costs	(30,795)	(40,000)	<b>(70,795)</b>	(518,144)	<b>(447,349)</b>	Note 47
Debt Impairment	-	-	-	(1,439,954)	<b>(1,439,954)</b>	Note 47
Repairs and maintenance	(110,000)	10,000	<b>(100,000)</b>	(112,677)	<b>(12,677)</b>	Note 47
General Expenses	(10,573,630)	27,571	<b>(10,546,059)</b>	(12,827,126)	<b>(2,281,067)</b>	Note 47
<b>Total expenditure</b>	<b>(54,418,117)</b>	-	<b>(54,418,117)</b>	<b>(58,621,326)</b>	<b>(4,203,209)</b>	
	52,618,116	-	<b>52,618,116</b>	53,310,365	<b>692,249</b>	
	(54,418,117)	-	<b>(54,418,117)</b>	(58,621,326)	<b>(4,203,209)</b>	
<b>Operating deficit</b>	<b>(1,800,001)</b>	-	<b>(1,800,001)</b>	<b>(5,310,961)</b>	<b>(3,510,960)</b>	
Actuarial gains/losses	-	-	-	223,762	<b>223,762</b>	Note 47
(loss) Gain on Assets	-	-	-	(15,425)	<b>(15,425)</b>	
	-	-	-	<b>208,337</b>	<b>208,337</b>	
	(1,800,001)	-	<b>(1,800,001)</b>	(5,310,961)	<b>(3,510,960)</b>	
	-	-	-	208,337	<b>208,337</b>	
<b>Deficit before taxation</b>	<b>(1,800,001)</b>	-	<b>(1,800,001)</b>	<b>(5,102,624)</b>	<b>(3,302,623)</b>	
Deficit before taxation	(1,800,001)	-	<b>(1,800,001)</b>	(5,102,624)	<b>(3,302,623)</b>	
Taxation	-	-	-	-	-	

# Xhariep District Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(1,800,001)</b>	<b>-</b>	<b>(1,800,001)</b>	<b>(5,102,624)</b>	<b>(3,302,623)</b>	
<b>Reconciliation</b>						

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	20,000	-	20,000	60,117	40,117	Note 47
Receivables from exchange transactions	560,000	-	560,000	660,630	100,630	Note 47
VAT receivable	-	-	-	1,969,975	1,969,975	Note 47
Cash and cash equivalents	2,000,000	-	2,000,000	1,888,698	(111,302)	Note 47
	<b>2,580,000</b>	<b>-</b>	<b>2,580,000</b>	<b>4,579,420</b>	<b>1,999,420</b>	

##### Non-Current Assets

Property, plant and equipment	17,918,308	60,994	17,979,302	13,957,589	(4,021,713)	Note 47
Intangible assets	-	-	-	2,120,927	2,120,927	Note 47
	<b>17,918,308</b>	<b>60,994</b>	<b>17,979,302</b>	<b>16,078,516</b>	<b>(1,900,786)</b>	
Non-Current Assets	2,580,000	-	2,580,000	4,579,420	1,999,420	Note 46
Current Assets	17,918,308	60,994	17,979,302	16,078,516	(1,900,786)	Note 46
<b>Total Assets</b>	<b>20,498,308</b>	<b>60,994</b>	<b>20,559,302</b>	<b>20,657,936</b>	<b>98,634</b>	

#### Liabilities

##### Current Liabilities

Finance lease obligation	-	-	-	440,905	440,905	Note 47
Payables from exchange transactions	9,000,000	-	9,000,000	17,370,748	8,370,748	Note 47
Unspent conditional grants and receipts	-	-	-	1,026,452	1,026,452	Note 47
Provisions	200,000	-	200,000	183,000	(17,000)	Note 47
	<b>9,200,000</b>	<b>-</b>	<b>9,200,000</b>	<b>19,021,105</b>	<b>9,821,105</b>	

##### Non-Current Liabilities

Finance lease obligation	-	-	-	38,779	38,779	Note 47
Provisions	1,200,000	-	1,200,000	1,494,000	294,000	Note 47
	<b>1,200,000</b>	<b>-</b>	<b>1,200,000</b>	<b>1,532,779</b>	<b>332,779</b>	
	9,200,000	-	9,200,000	19,021,105	9,821,105	
	1,200,000	-	1,200,000	1,532,779	332,779	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>10,400,000</b>	<b>-</b>	<b>10,400,000</b>	<b>20,553,884</b>	<b>10,153,884</b>	

Assets	20,498,308	60,994	20,559,302	20,657,936	98,634	
Liabilities	(10,400,000)	-	(10,400,000)	(20,553,884)	(10,153,884)	
<b>Net Assets</b>	<b>10,098,308</b>	<b>60,994</b>	<b>10,159,302</b>	<b>104,052</b>	<b>(10,055,250)</b>	

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	10,098,308	60,994	10,159,302	104,052	(10,055,250)	Note 47
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# **Xhariep District Municipality**

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

The 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 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

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

#### **1.2 Going concern assumption**

These 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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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.

##### **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 12 - Provisions.

##### **Effective interest rate and deferred payment terms**

The municipality used the prime interest rate adjusted for rates by main supplier or discount before future cash flows.

##### **Useful lives and residual values**

The municipality's management determine the useful lives and the related depreciation changes for property, plant and equipment. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Long Service Bonus

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

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

#### Leave and Bonus Provisions

The municipality used the leave and bonus paid date to estimate the provisions respectively.

### 1.4 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.

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.

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.

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 shall be depreciated separately.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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

Land is not depreciated and depreciation commence when the asset is ready for intended use.

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### 1.4 Property, plant and equipment (continued)

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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Item	Depreciation method	Average useful life
Buildings	Straight line	25-30 years
Security System	Straight line	5-10 years
Plant and machinery	Straight line	3-15 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	4-7 years
Office equipment	Straight line	5-10 years
Computer equipment	Straight line	3-10 years
Finance lease assets	Straight line	The shorter of asset's useful life or the lease term.

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.

No items of property, plant and equipment are pledged as security for liabilities.

### 1.5 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.

An intangible asset is recognised when:

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

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

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

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### 1.5 Intangible assets (continued)

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	3 years

### 1.6 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories

- Held-to maturity investment
- Loans and receivables
- Available -for sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instrument were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category

#### Initial recognition and Measurement

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

The municipality classifies financial instruments, or their components parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instrument are measured initially at fair value, except for equity investment for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

Loans and receivable are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial asset are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available -for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available -for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available -for sale financial assets denominated in foreign currency are analysed between translation difference resulting from changes in amortised cost and other changes in the carrying amount. Translation difference on monetary items are recognised in surplus or deficit, while translation difference on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method

#### Fair value determination

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

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceed ( net of transaction cost) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows.

-A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;

-A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net asset, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net asset is recognised in surplus or deficit; and

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

#### Impairment of financial assets

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### 1.6 Financial instruments (continued)

At each of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payment are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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### 1.6 Financial instruments (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible to a known amount of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loan and receivable.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Investment

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

#### Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into.

Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### 1.7 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.

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### 1.7 Leases (continued)

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### 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 interest rate implicit in the lease.

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.

#### 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 lease payment are recognised as as expenses on a straight-line basis over the lease term. The difference between the amount recognised as an expense and the contractual payment are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

#### 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.

### 1.8 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

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

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

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

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

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### 1.8 Inventories (continued)

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.9 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

#### Defined contribution plans

The municipality contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees unless another standard requires or permits the inclusion of contribution in the cost of an asset. Prepaid contribution are recognised as an asset to the extent that a cash refund or a reduction in future payment is available. Payments to defined contribution retirement benefit plan 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 municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.10 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.

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### 1.10 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

### 1.11 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.

### 1.12 Revenue from exchange transactions

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

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

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

#### Measurement

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

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### 1.12 Revenue from exchange transactions (continued)

#### 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 services performed to date as a percentage of total services to be performed.

#### 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.

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

### 1.13 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.

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### 1.13 Revenue from non-exchange transactions (continued)

#### 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.

#### 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.

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

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.

#### Other grants and donations

Other grants and donations 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.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.14 Investment income

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

### 1.15 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.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.18 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. Detailed disclosure were made in the notes to the financial statement as required by the MFMA.

### 1.19 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 that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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. Detailed disclosure were made in the notes to the financial statements as required by the MFMA.

### 1.20 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.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.20 Budget information (continued)

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 approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

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

The 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 financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to note 45.

Comparative information is not required.

### 1.21 Related parties

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

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

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

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

### 1.22 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.

# **Xhariep District Municipality**

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.23 Use of Estimates**

The preparation of annual financial statement in conformity with Standards of GRAP required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statement are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and action they may undertake in the future, actual result ultimately may differ from those estimates.

### **1.24 Going concern**

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

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DoRA the municipality will continue to receive government grant for the next three years.

The municipality experienced financial constraints from the month of October 2016, November 2016, February 2017 and March 2017. An overdraft facility was obtained through ABSA Bank Limited to be able to cover the operational expenditure for the said months.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

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### 2. Accounting Policies, Changes in Accounting Estimates and Errors

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

The standard requires compliance with any specific GRAP standards applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounting for on a prospective basis.

#### Taxation

The charge for the current tax is based on the results for the year, as adjusted for the items that are exempt or disallowed. It is calculated using the tax rates that have been enacted or substantively enacted by the Income Tax Act, VAT Act and other South African legislated Tax requirements.

The Municipality is registered on the payment basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

#### Impairment of Assets

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

Irrespective of whether there is any indication of impairment, the municipality also:

'- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

'- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

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### 2. Accounting Policies, Changes in Accounting Estimates and Errors (continued)

#### Offsetting

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

#### Presentation of currency

These annual financial statements are presented in South African Rand.

All figures presented in the annual financial statements have been rounded to the nearest Rand.

### 3. New standards and interpretations

#### 3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 34: Separate Financial Statements	No Effective date yet	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	No Effective date yet	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	No Effective date yet	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	No Effective date yet	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	No Effective date yet	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	No Effective date yet	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	April 1, 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	April 1, 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	April 1, 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	April 1, 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2018	Unlikely there will be a material impact

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

## Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

### Notes to the Financial Statements

Figures in Rand

#### 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
Buildings	16,748,905	(6,462,412)	10,286,493	16,748,905	(5,904,115)	10,844,790
Leasehold property	1,290,741	(851,138)	439,603	1,290,741	(420,891)	869,850
Plant and machinery	2,107,870	(2,107,848)	22	2,107,870	(1,120,933)	986,937
Furniture and fixtures	1,948,475	(1,054,052)	894,423	1,990,362	(953,356)	1,037,006
Motor vehicles	701,147	(286,229)	414,918	701,147	(186,065)	515,082
Office equipment	1,387,173	(974,195)	412,978	1,389,676	(812,922)	576,754
IT equipment	1,694,276	(1,091,302)	602,974	1,563,753	(981,568)	582,185
Ancillary fleet equipment and security	2,791,492	(1,885,314)	906,178	2,791,492	(1,500,057)	1,291,435
<b>Total</b>	<b>28,670,079</b>	<b>(14,712,490)</b>	<b>13,957,589</b>	<b>28,583,946</b>	<b>(11,879,907)</b>	<b>16,704,039</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	10,844,790	-	-	(558,297)	-	10,286,493
Leasehold property	869,850	-	-	(430,247)	-	439,603
Plant and machinery	986,937	-	-	-	(986,915)	22
Furniture and fixtures	1,037,006	-	(9,670)	(132,890)	(23)	894,423
Motor vehicles	515,082	-	-	(100,164)	-	414,918
Office equipment	576,754	-	(1,659)	(162,117)	-	412,978
IT equipment	582,185	212,275	(4,095)	(187,391)	-	602,974
Ancillary fleet equipment and security	1,291,435	-	-	(333,736)	(51,521)	906,178
	<b>16,704,039</b>	<b>212,275</b>	<b>(15,424)</b>	<b>(1,904,842)</b>	<b>(1,038,459)</b>	<b>13,957,589</b>

## Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

### Notes to the Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Impairment loss</b>	<b>Total</b>
Buildings	11,403,087	-	-	-	(558,297)	-	10,844,790
Leasehold property	995,521	404,662	(110,912)	-	(419,421)	-	869,850
Plant and machinery	1,251,240	-	-	-	(264,303)	-	986,937
Furniture and fixtures	1,182,088	-	(8)	-	(136,580)	(8,494)	1,037,006
Motor vehicles	690,346	-	(54,176)	-	(121,088)	-	515,082
Office equipment	753,546	-	(1,212)	-	(172,101)	(3,479)	576,754
IT equipment	816,435	19,692	(2,361)	-	(232,949)	(18,632)	582,185
Infrastructure(WIP)	2,896,757	-	-	(2,896,757)	-	-	-
Ancillary fleet equipment and security	1,646,184	-	-	-	(349,823)	(4,926)	1,291,435
	<b>21,635,204</b>	<b>424,354</b>	<b>(168,669)</b>	<b>(2,896,757)</b>	<b>(2,254,562)</b>	<b>(35,531)</b>	<b>16,704,039</b>

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.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

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### 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	2,120,927	-	2,120,927	-	-	-

### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Total
Computer software	-	2,120,927	2,120,927

### 6. Inventories

Stationery	36,818	27,794
Cleaning Material	23,299	20,305
	<b>60,117</b>	<b>48,099</b>

None of the inventory has been pledged as security.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>7. Receivables from exchange transactions</b>		
Trade debtors	384,535	328,287
Prepaid expenses	23,156	2,337
Other debtors	252,939	248,280
	<b>660,630</b>	<b>578,904</b>

	R	R
<b>Trade debtors</b>		
Current (0-30days)	288,203	341,904
31-60 days	173,425	101,936
61-90 days	40,946	97,951
91-120 days	105,589	99,927
121-150 days	133,413	96,651
151-180 days	106,976	141,257
+180 days	3,079,513	1,552,237
Less Provisions	(3,543,530)	(2,103,576)
	<b>384,535</b>	<b>328,287</b>

### Summary of debtor by Customer Classification as at 30 June 2017

	Other	National and Provincial Government	Total
Current (0-30 days)	56,344	231,859	288,203
31-60 days	-	173,425	173,425
61-90 days	-	40,946	40,946
91-120 days	-	105,589	105,589
121-365 days	250,000	3,069,902	3,319,902
Subtotal	306,344	3,621,721	3,928,065
Less: provision for doubtful debts	-	(3,543,530)	(3,543,530)
	<b>306,344</b>	<b>78,191</b>	<b>384,535</b>

### Summary of debtor by Customer Classification as at 30 June 2016

	Other	National and Provincial Government	Total
Current (0-30 days)	250,000	91,904	341,904
31-60 days	-	101,936	101,936
61-90 days	-	97,951	97,951
91-120 days	-	99,827	99,827
121 -365 days	-	1,790,245	1,790,245
Subtotal	250,000	2,181,863	2,431,863
Less: Provision for doubtful debts	-	(2,103,576)	(2,103,576)
	<b>250,000</b>	<b>78,287</b>	<b>328,287</b>

None of the debtors have been pledged as security during the current year.

### 8. VAT receivable

VAT	1,969,975	1,012,214
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The Municipality is registered on the payment basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>9. Cash and cash equivalents (continued)</b>		
Cash on hand	506	383
Bank balances	1,885,808	163,113
Short-term deposits	2,384	429,709
	<b>1,888,698</b>	<b>593,205</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
ABSA BANK - (405 362 8182)	1,885,808	163,118	978,975	1,885,808	163,118	978,975
ABSA BANK - (929 706 7856)	-	-	1,077	-	-	1,077
NEDBANK (03/7662022528/000015/14)	-	-	752,203	-	-	752,203
ABSA BANK (930 967 2913)	2,384	429,709	-	2,384	429,709	-
<b>Total</b>	<b>1,888,192</b>	<b>592,827</b>	<b>1,732,255</b>	<b>1,888,192</b>	<b>592,827</b>	<b>1,732,255</b>

### 10. Finance lease obligation

#### Minimum lease payments due

- within one year	469,119	497,417
- in second to fifth year inclusive	39,458	508,577
	508,577	1,005,994
less: future finance charges	(28,893)	(103,681)
<b>Present value of minimum lease payments</b>	<b>479,684</b>	<b>902,313</b>

#### Present value of minimum lease payments due

- within one year	440,907	422,629
- in second to fifth year inclusive	38,777	479,684
	<b>479,684</b>	<b>902,313</b>

Non-current liabilities	38,779	479,684
Current liabilities	440,905	422,629
	<b>479,684</b>	<b>902,313</b>

The municipality is currently leasing printers and telephone system under finance lease.

The average lease term for the lease is 3 years and the interest is link to prime.

### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Financial Management Grant	-	75,679
Thetha	-	36,080
Provincial Infrastructure Grant	87,690	87,690
Expanded Public Works Programme	-	22,666
Motheo Disestablishment Grant	-	711,415
Rural Roads Assets Management Systems	938,762	-
	<b>1,026,452</b>	<b>933,530</b>

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>11. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	933,530	1,401,067
Additions during the year	52,840,655	52,273,881
Income recognition during the year	(51,901,894)	(52,175,537)
Withheld by treasury	(98,344)	(565,881)
Reclassified as creditors	(747,495)	-
	<b>1,026,452</b>	<b>933,530</b>

The nature and extent of government grants recognised in the 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 19 for reconciliation of grants from National/Provincial Government.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

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### 12. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Non current long service provision	1,307,999	186,001	-	1,494,000
Current long service provision	173,000	46,237	(36,237)	183,000
	<b>1,480,999</b>	<b>232,238</b>	<b>(36,237)</b>	<b>1,677,000</b>

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Non current long service provision	1,347,000	(39,001)	-	1,307,999
Current long service provision	98,000	134,077	(59,077)	173,000
	<b>1,445,000</b>	<b>95,076</b>	<b>(59,077)</b>	<b>1,480,999</b>

Non-current liabilities	1,494,000	1,307,999
Current liabilities	183,000	173,000
	<b>1,677,000</b>	<b>1,480,999</b>

The long service awards liability arises from Xhariep District Municipality being a party to the collective agreement on condition of service for the Free State Division of SALGBC. This agreement is effective from 1 July 2010.

The long service awards plan is a defined benefit plan. At period end 69 employees were eligible for long service bonuses

The current service cost for the ensuring year is estimated to be R298 000( June 2016 R266 000) whereas the interest cost for the ensuring year is estimated to be R158 000(June 2016 R138 000).

#### Present value of the unfunded obligation

Present value of unfunded obligation at year end	1,677,000	1,481,000
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#### Reconciliation of unfunded obligation:

Present value of unfunded obligation at the beginning of the year	1,481,000	1,445,000
Current service costs	298,000	266,000
long service awards paid	(36,237)	(59,077)
Interest costs	158,000	138,000
Actuarial(gains)loss	(223,763)	(308,923)
	<b>1,677,000</b>	<b>1,481,000</b>

The expected value of each employee's long service awards is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The average leave has been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working days year and therefore the benefits awarded can be expressed as follows:

Completed Years of Service	Long Service Leave Award (working Days)	Long Service Bonus Award (% of Annual Salary)	Total Long Service Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
5	5	2%	4%	(5/250 + 2%)

# Xhariep District Municipality

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## Notes to the Financial Statements

Figures in Rand			2017	2016
<b>12. Provisions (continued)</b>				
	10	10	3%	7% (10/250 + 3%)
	15	15	4%	10% (15/250 + 4%)
	20	15	5%	11% (15/250 + 5%)
	25,30,35,40 and 45	15	6%	12% (15/250 +6%)

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirement and withdrawal.

Financial variables

The two most important financial variables used in the valuation are the discount rate and salary inflation. The following variables have been assumed for the following values:

Financial Variable	Assumed Value at 30-06-2017 (Current Valuation)	Assumed Value at 30-06-2016 (preceding Valuation)
Discount Rate CPI( Consumer Price Inflation)	Yield Curve Difference Between nominal and real yield curve Equal to CPI +1%	Yield Curve Difference between nominal and real yield curve Equal to CPI +1%
Normal Salary Increase Rate	Yield Curve Based**	Yield Curve Based**
Net Effective discount Rate		

\*\* The Net effective Discount Rate is different for each relevant time period of the yield curves various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yeild curve based) Discount Rate for eash relevant time period and the (yield curve based) Salary inflation for each relevant time period.

### 13. Payables from exchange transactions

Trade payables	6,064,315	4,051,218
Staff bonuses accrual	793,790	683,822
Staff leave accrual	2,292,974	2,599,508
Salary control Retention	5,317,523	1,395,117
Other creditors	135,359	135,359
	2,766,787	1,547,919
	<b>17,370,748</b>	<b>10,412,943</b>

### 14. Revenue

Rental of facilities and equipment	431,015	435,684
Fees earned	20,986	16,175
Other income	226,530	112,961
Interest received - investment	421,997	317,558
Government grants & subsidies	52,170,584	52,175,536
Public contributions and donations	-	258,250
LG SETA income	39,253	130,135
	<b>53,310,365</b>	<b>53,446,299</b>

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>14. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental of facilities and equipment	431,015	435,684
Other income	20,986	16,175
Other income - (rollup)	226,530	112,961
Interest received - investment	421,997	317,558
	<b>1,100,528</b>	<b>882,378</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	52,170,584	52,175,536
Public contributions and donations	-	258,250
LG SETA income	39,253	130,135
	<b>52,209,837</b>	<b>52,563,921</b>
<b>15. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental income	431,015	435,684
The municipality lease part of the municipality building to Kopanong local municipality. The lease is accounted using the straight-line basis over the term of the lease agreement.		
<b>16. Fees earned</b>		
Fees	20,986	16,175
<b>17. Other income</b>		
Other income	226,530	112,961
<b>18. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	97,406	182,607
Interest charged on trade and other receivables	324,591	134,951
	<b>421,997</b>	<b>317,558</b>

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand 2017 2016

### 19. Government grants and subsidies

#### Operating grants

Equitable share	29,738,345	30,090,881
Municipal System Improvement Grant	-	930,000
Financial Management Grant	1,250,000	1,174,321
Expanded Public Works Programme	1,053,000	1,088,335
Rural Roads Asset Management Systems	2,279,239	1,892,000
Provincial Financial Assistance Grant	17,850,000	16,999,999
	<b>52,170,584</b>	<b>52,175,536</b>

#### Equitable Share

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

#### Municipal System Improvement Grant

Balance unspent at beginning of year	-	182,544
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
Withheld by treasury/Roll-over not approved	-	(182,544)
	<b>-</b>	<b>-</b>

The purpose of the grant is to assist municipalities in building in house capacity to perform their function and stabilise institutional and governance system as required in the Local Government System Act of 2000.

As of the 2016/17 financial year the grant was changed from being a direct grant to being indirect grant meaning that the grant as allocated in the DORA will not be transfer directly to the municipality but the Cogta will run projects with the money for the benefit of the municipality.

#### Financial Management Grant

Balance unspent at beginning of year	75,679	-
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,174,321)
Withheld by Treasury /Roll-over not Approved	(75,679)	-
	<b>-</b>	<b>75,679</b>

The purpose of the grant is to promote and support reform to financial management and implementation of the Municipal Financial Management Act (MFMA)

#### THETA

Balance unspent at beginning of year	36,080	36,080
Reclassified as creditors	(36,080)	-
	<b>-</b>	<b>36,080</b>

This grant has been reclassified as a creditor as it is now payable back to the SETA

#### Provincial Infrastructure Grant

Balance unspent at beginning of year	87,690	87,690
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Conditions still to be met - remain liabilities (see note 11).

#### Expanded Public Works Programme

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand 2017                      2016

### 19. Government grants and subsidies (continued)

Balance unspent at beginning of year	22,666	-
Current-year receipts	1,053,000	1,111,000
Conditions met - transferred to revenue	(1,053,000)	(1,088,334)
Withheld by Treasury/Roll-over not approved	(22,666)	-
	<u>-</u>	<u>22,666</u>

The purpose of the grant is to expand job creation programs in the district

#### Motheo Disestablishment Grant

Balance unspent at beginning of year	711,415	711,415
Reclassified as creditors	(711,415)	-
	<u>-</u>	<u>711,415</u>

The grant has been reclassified as a creditor as it is now payable back to Maguang Metro.

#### Rural Road Asset Management

Balance unspent at beginning of year	-	383,338
Current-year receipts	3,218,000	1,892,000
Conditions met - transferred to revenue	(2,279,238)	(1,892,000)
Withheld by Treasury/roll-over not approved	-	(383,338)
	<u>938,762</u>	<u>-</u>

The purpose of the grant is to assist the municipality monitor the conditions of the municipal roads.

#### Provincial Financial Assistance Grant

The municipality receives financial assistance from the Provincial Cogta to help with operational activities.

### 20. Public contributions and donations

Donations	-	<u>258,250</u>
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# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand 2017 2016

### 21. Employee related costs

Basic	24,292,775	23,189,879
Medical aid - company contributions	1,623,498	1,632,838
UIF	138,796	142,976
SDL	315,003	300,491
Other payroll levies	7,373	7,309
Leave pay provision charge	786,133	779,858
Defined contribution plans	3,406,424	3,242,943
Long-service awards	-	-
13th Cheques	1,923,106	1,523,855
Travelling Allowance	3,552,416	3,256,740
Housing benefits and allowances	189,479	181,269
Cellphone allowance	286,316	286,892
long term service fees	298,000	266,000
	<b>36,819,319</b>	<b>34,811,050</b>

### Remuneration of Municipal Manager (MM Kubeka)

Annual Remuneration	1,468,960	1,195,674
Car Allowance	84,000	84,000
13th Cheque	176,404	-
Contributions to UIF, Medical and Pension Funds	43,253	32,322
Telephone allowance	9,600	9,600
Leave days payout	295,922	-
Other	21,510	13,488
	<b>2,099,649</b>	<b>1,335,084</b>

### Remuneration of Chief Finance Officer (SJ Matobako)

Acting allowance	4,467	-
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Mr SJ Matobako was acting as the Chief Financial Officer from the 1 June 2017.

### Remuneration of Chief Financial Officer (MC Mogoale)

Acting allowance	361,708	216,555
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Mr MC Mogoale has acted from the 1 July 2016 till 31 May 2017.

### Remuneration of Director Corporate Services (M Khapha)

Annual Remuneration	-	130,178
Car Allowance	-	28,011
Contributions to UIF, Medical and Pension Funds	-	30,801
Telephone	-	1,600
Other	-	1,556
	-	<b>192,146</b>

Mr M Khapha was appointed as Director Corporate Services from 1 August 2015 to 30 September 2015.

### Remuneration of Director Corporate Services (M Khapha)

Annual Remuneration	-	16,199
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Mr M Khapha acted as Director Corporate Services for one month in July 2015.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>21. Employee related costs (continued)</b>		
<b>Remuneration of Director Planning and Development (MS Mohale)</b>		
Annual Remuneration	1,162,086	929,199
Car Allowance	110,911	150,469
13th Cheque	114,649	-
Contributions to UIF, Medical and Pension Funds	35,682	33,529
Telephone allowance	9,600	9,600
Leave days payout	242,245	-
Other	17,260	10,988
	<b>1,692,433</b>	<b>1,133,785</b>

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>22. Remuneration of councillors</b>		
Executive Mayor	788,139	789,043
Mayoral Committee Members	1,470,058	1,342,995
Speaker	609,135	400,443
Councillors	1,093,472	1,512,568
	<b>3,960,804</b>	<b>4,045,049</b>
<b>Executive Mayor (Cllr MG Ntwanambi)*</b>		
Annual remuneration	61,963	523,489
Contribution to UIF, Medical and Pension Funds	6,544	85,086
Telephone allowance	2,244	20,868
Housing allowance	13,000	156,000
Other	1,103	3,600
	<b>84,854</b>	<b>789,043</b>
<b>Executive Mayor (Cllr MJ Sehanka)*</b>		
Annual remunerations	611,335	-
Contribution to UIF, Medical and Pension Funds	65,171	-
Telephone allowance	17,100	-
Other	9,680	-
	<b>703,286</b>	<b>-</b>
<b>Speaker (Cllr MJ Sehanka)**</b>		
Annual remuneration	36,119	323,271
Contribution to UIF, Medical and Pension Funds	6,083	73,572
Other	880	3,600
	<b>43,082</b>	<b>400,443</b>
<b>Speaker (Cllr NS Mqungquthu)**</b>		
Annual Remuneration	512,999	-
Contribution to UIF, Medical and Pension Funds	28,205	-
Other	24,849	-
	<b>566,053</b>	<b>-</b>
<b>Cllr GM Modise(MMC)</b>		
Annual Remuneration	57,930	530,110
Car Allowance	3,200	38,400
Contribution to UIF, Medical and Pension Funds	-	5,859
Telephone allowance	2,244	20,868
Other	1,018	3,600
	<b>64,392</b>	<b>598,837</b>
<b>Cllr TE Mokhele</b>		
Annual Remuneration	21,168	187,681
Car Allowance	3,400	40,800
Contribution to UIF, Medical and Pension Funds	-	2,700
Telephone allowance	2,244	22,607
Other	661	3,900
	<b>27,473</b>	<b>257,688</b>
<b>Cllr NS Jafta</b>		
Annual Remuneration	20,341	178,300

# Xhariep District Municipality

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## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>22. Remuneration of councillors (continued)</b>		
Contribution to UIF, Medical and Pension fund	4,227	52,268
Telephone allowance	2,244	20,868
Other	617	3,600
	<b>27,429</b>	<b>255,036</b>
<b>Cllr PM Dibe</b>		
Annual Remuneration	-	429
Contribution to UIF, Medical and Pension fund	-	136
Sitting allowance	962	12,077
Other	11	-
	<b>973</b>	<b>12,642</b>
<b>Cllr MJ Mohapi</b>		
Annual Remuneration	16,494	132,421
Car allowance	3,410	40,925
Contribution to UIF, Medical and Pension fund	4,663	57,416
Telephone allowance	2,244	20,868
Other	628	3,600
	<b>27,439</b>	<b>255,230</b>
<b>Cllr NI Mehlomakulu (MMC)</b>		
Annual Remuneration	30,372	263,151
Car allowance	5,116	61,387
Contribution to UIF, Medical and Pension fund	3,014	33,494
Other	387	3,600
	<b>38,889</b>	<b>361,632</b>
<b>Cllr NC Spochter</b>		
Annual Remuneration	1,564	19,436
Car allowance	-	211
Contribution to UIF, Medical and Pension fund	17	-
	<b>1,581</b>	<b>19,647</b>
<b>Cllr H Shebe</b>		
Annual Remuneration	1,564	19,435
Contribution to UIF, Medical and Pension fund	17	208
	<b>1,581</b>	<b>19,643</b>
<b>Cllr SA Sola</b>		
Annual Remuneration	8,524	81,729
Contribution to UIF, Medical and Pension fund	87	832
	<b>8,611</b>	<b>82,561</b>
<b>Cllr JJ Makitle</b>		
Annual Remuneration	8,524	80,365
Contribution to UIF, Medical and Pension fund	87	811
	<b>8,611</b>	<b>81,176</b>
<b>Cllr MJ Mothupi</b>		
Annual Remuneration	16,494	132,421
Car allowance	3,410	40,925
Contribution to UIF, Medical and Pension fund	4,663	57,471

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>22. Remuneration of councillors (continued)</b>		
Telephone allowance	2,244	20,868
Other	629	3,600
	<b>27,440</b>	<b>255,285</b>
<b>ClIr AJ van Rensburg</b>		
Annual Remuneration	233,223	187,556
Car allowance	3,410	40,925
Contribution to UIF, Medical and Pension fund	653	2,459
Telephone allowance	19,344	20,868
Other	5,025	3,600
	<b>261,655</b>	<b>255,408</b>
<b>ClIr AV Mona(MMC)</b>		
Annual Remuneration	24,515	191,781
Car allowance	5,116	61,387
Contribution to UIF, Medical and Pension fund	4,396	55,690
Telephone allowance	2,244	20,868
Housing allowance	4,100	49,200
Other	751	3,600
	<b>41,122</b>	<b>382,526</b>
<b>ClIr ML Sehloho</b>		
Annual Remuneration	1,564	18,071
Contribution to UIF, Medical and Pension fund	16	181
	<b>1,580</b>	<b>18,252</b>
<b>ClIr MG Ntwanambi( MMC)</b>		
Annual Remuneration	425,476	-
Contribution to UIF, Medical and Pension fund	61,795	-
Telephone allowance	17,100	-
Other	6,552	-
	<b>510,923</b>	<b>-</b>
<b>ClIr B Smit</b>		
Annual Remuneration	13,498	-
Telephone allowance	8,550	-
Other	232	-
	<b>22,280</b>	<b>-</b>
<b>ClIr TS Tseuo</b>		
Annual Remuneration	201,738	-
Contribution to UIF, Medical and Pension fund	11,098	-
Telephone allowance	17,100	-
Other	4,820	-
	<b>234,756</b>	<b>-</b>
<b>ClIr C Burger</b>		
Annual Remuneration	13,498	-
Telephone allowance	8,550	-
Other	231	-
	<b>22,279</b>	<b>-</b>

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>22. Remuneration of councillors (continued)</b>		
<b>Cllr JK Sebeco(MMC)</b>		
Annual Remuneration	487,271	-
Telephone allowance	17,100	-
Other	7,785	-
	<b>512,156</b>	<b>-</b>
<b>Cllr MJ Phaliso</b>		
Annual Remuneration	13,498	-
Telephone allowance	8,550	-
Other	232	-
	<b>22,280</b>	<b>-</b>
<b>Cllr TD Mochechepa</b>		
Annual Remuneration	293,483	-
Telephone allowance	8,550	-
Other	3,028	-
	<b>305,061</b>	<b>-</b>
<b>Cllr ML Mogapi</b>		
Annual Remuneration	193,990	-
Contribution to UIF, Medical and Pension fund	18,504	-
Telephone allowance	17,100	-
Other	4,678	-
	<b>234,272</b>	<b>-</b>
<b>Cllr J Moitse</b>		
Annual Remuneration	48,781	-
Telephone allowance	8,550	-
Other	597	-
	<b>57,928</b>	<b>-</b>
<b>Cllr AN November</b>		
Annual Remuneration	13,498	-
Telephone allowance	8,550	-
Other	230	-
	<b>22,278</b>	<b>-</b>
<b>Cllr JM Moeketsi</b>		
Annual Remuneration	48,781	-
Telephone allowance	8,550	-
Other	590	-
	<b>57,921</b>	<b>-</b>
<b>Cllr IS Riddle</b>		
Annual Remuneration	13,498	-
Telephone allowance	8,550	-
Other	231	-
	<b>22,279</b>	<b>-</b>

\* Cllr MG Ntwanambi was Executive Mayor of the district up to the 3 August 2016 and Cllr MJ Sehanka has been the Executive Mayor from the 4 August to date.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>22. Remuneration of councillors (continued)</b>		
** Cllr MJ Sehanka was Speaker of the district up to the 3 August 2016 and Cllr NS Mqungquthu has been the Speaker from the 4 August to date.		
<b>23. Depreciation and amortisation</b>		
Property, plant and equipment	1,904,843	2,254,188
<b>24. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	1,038,459	35,530
	1,038,459	35,530
	-	-
<b>25. Finance costs</b>		
Bank	517,768	399,800
Other interest paid	376	-
	<b>518,144</b>	<b>399,800</b>
<b>26. Debt impairment</b>		
Contributions to debt impairment provision	1,439,954	1,160,677
Bad debts written off	-	23,427
	<b>1,439,954</b>	<b>1,184,104</b>

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>27. General expenses</b>		
Advertising	113,800	138,819
Auditors remuneration	2,128,145	2,034,689
Accommodation	677,295	120,471
Audit Committee remuneration	51,434	101,845
Bank charges	105,915	64,377
Consulting and professional fees	1,769,377	3,416,346
Consumables	-	15,580
Entertainment	30,521	65,851
Fines and penalties	658,273	279,911
Insurance	184,725	499,139
Conferences and seminars	19,146	-
Computer licences and software	184,883	356,646
Levies	352,830	234,688
Motor vehicle expenses	1,117	1,020
Fuel and oil	141,667	139,589
Postage and courier	1,991	2,772
Printing and stationery	340,204	106,816
Software expenses	351,281	-
Subscriptions and membership fees	543,365	1,159,927
Telephone and fax	387,682	367,136
Transport and freight	10,400	34,680
Training	73,843	312,317
Travel - local	2,202,075	2,807,297
Refuse	2,409	1,391
Water and electricity	373,383	363,032
Settlement cost	-	602,112
EPWP incentive	1,078,287	1,089,918
Other expenses	799,397	128,485
Property rates	243,681	151,302
	<b>12,827,126</b>	<b>14,596,156</b>
<b>28. Gains or losses on assets</b>		
Losses on asset disposal	(15,425)	(168,669)
Proceeds from sale of assets	-	34,627
	<b>(15,425)</b>	<b>(134,042)</b>
<b>29. Auditors' remuneration</b>		
Fees	2,128,145	2,034,689

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>30. Cash generated from (used in) operations</b>		
Deficit	(5,102,624)	(7,004,137)
<b>Adjustments for:</b>		
Depreciation and amortisation	1,904,843	2,254,188
Gain on sale of assets and liabilities	15,425	134,042
Impairment deficit	1,038,459	35,530
Debt impairment	1,439,954	1,184,104
Movements in provisions	196,001	36,000
Transfer of asset	-	2,896,757
<b>Changes in working capital:</b>		
Inventories	(12,018)	33,306
Receivables from exchange transactions	(1,521,680)	(1,372,623)
Payables from exchange transactions	6,957,805	654,163
VAT	(957,761)	819,936
Unspent conditional grants and receipts	92,922	(467,537)
	<b>4,051,326</b>	<b>(796,271)</b>

### 31. Commitments

#### Authorised operational expenditure

##### Approved and Contracted for

• Current Expenditure	11,006,546	1,631,905
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##### Total operational commitments

Already contracted for but not provided for	11,006,546	1,631,905
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### 32. Contingencies

30 June 2017

The Municipality had no contingent liabilities at the reporting date.

#### Contingent assets

30 June 2017

The Municipality had no contingent asset at the reporting date.

### 33. Related parties

#### Relationships

Accounting Officer

Compensation to Councillors and key management

Refer to accounting officer's report.

Refer to employee related cost and remuneration of councillors note 21 & 22.

#### Related party transactions

The municipality had no related party transaction and balances at period end. The municipality had various process in place to identify and note any related party balance and transactions. This range from disclose on the bid document to maintenance of conflict register.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand

2017

2016

### 34. Prior period errors

#### Prior Period error - Overstatement of Debtors

It was noted during the preparation of the financial statement that IEC debtor was over invoiced. This error happened at the beginning of lease( 2012/13 financial year) by IEC of one of the parking bays. The effect of this error amount to R688 in the statement of financial position.

#### Prior period error - Overstatement of the finance lease liability

It was noted that an error was made during the calculation of the present value of the lease payment at the beginning of the finance lease period. The effect of this error amount to R 9032.2 in the statement of financial position

#### Prior period error- Overstatement of the unspent grants

It was noted that expense which where incur during 2011/12 financial year relating to PIG was not accounted as revenue as it met the condition at the time. This resulted in the unspent grant to be overstated over the past few years.

#### Prior period error - Account Payables

It was noted that the creditor for year was understated due to some invoices not being recorded

#### Prior period error - VAT

It was noted that some of expenses have not been recorded due some invoices not being recorded

#### Prior period error - General expenses

It was noted that the following general expenses where not recorded being , water and eletricity, Property rates, Sewerage and internet services

#### Prior period Error - General Expenses

It was noted that the audit committee fees where incorrectly classified in the financial statements as part of the employee cost this has been corrected by moving them to the general expenses

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

#### Statement of financial position

Receivables from exchange transactions	-	(688)
Finance lease liability	-	10,392
Unspent grant	-	116,504
Account Payables	-	(68,733)
Opening Accumulated Surplus or Deficit	-	(124,848)
VAT	-	1,219

#### Statement of Financial Performance

Water and electricity	-	(35)
Property rates	-	59,629
Sewerage	-	647
Internet services	-	7,273
Finance cost	-	(1,360)
Employee cost	-	(101,845)
Audit committtee	-	101,845

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

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Figures in Rand	2017	2016
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### 35. 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.

Financial instrument	2017	2016
ABSA Bank: Current Account	1,885,808	163,113
Receivable from exchange transaction	3,828,164	2,432,547
ABSA Investment	2,384	429,709

#### Market risk

##### Interest rate risk

The municipality's interest risk arises from short term loans and investment. These are issued at variable rate and expose the Municipality to cash flow interest rate risk. Financial instruments that are issued at fixed rates expose the municipality to fair value interest rate risk.

### 36. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had accumulated surplus of R104,052 and that the municipality's total assets exceed its liabilities by R104,052.

The Municipality has been facing by financial difficulties over the past three(3) years. This was due to the funding and allocation of the municipality being cut and some of the debtors not paying the amount due to the municipality. The result of this was a huge increase in the payable from exchange transaction amounting to 66% as compared to the prior year. The change in the MSIG from being a direct grant to an indirect grant resulted in the municipality not receiving some of budget income which also increases the pressure on the municipality. The non-payment of the debt owed to the municipality resulted in the provision for impairment of R3 543 530 funds which could assist in decrease the creditors balance at year end.

The municipality has a deficit for the year amounting to R5,102,624 during the current financial year. Impairment of assets amounting to R1,038,459 and debt impairment amounting to R1,439,954 both contributed 49% of the R5,102,624 deficit. The Municipality had a total assets amounting to R20,657,936 and total liabilities amounting to R20,553,874 this resulted in a accumulated surplus of R104,052. The Municipality's current liabilities amount to R19,021,085 and the current assets amounted to R4,579,420 the effect being a net current liability position of R14,441,675.

However the ability of the municipality to continue as a going concern is dependent on the fact the majority of the municipalities funding is from grant funding which is guaranteed to be received as allocated in the DORA. Also this funding is expected to increase in the next financial years as shown in the DORA this will assist the municipality in incurring what we budget properly in our expenditures

The 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.

### 37. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statement there were no subsequent event to disclose.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>38. Unauthorised expenditure</b>		
Opening balance	17,072,230	14,274,609
Unauthorised expenditure current year/period	5,237,820	2,797,621
	<b>22,310,050</b>	<b>17,072,230</b>
<b>39. Fruitless and wasteful expenditure</b>		
Opening balance	892,287	451,656
Fruitless and wasteful expenditure current year	870,415	440,631
	<b>1,762,702</b>	<b>892,287</b>
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Interest and penalties for late payment of suppliers	867,681	390,611
Accommodation bookings	2,448	4,036
legal cost	285	45,985
	<b>870,414</b>	<b>440,632</b>
<b>40. Irregular expenditure</b>		
Opening balance	34,030,527	29,848,528
Add: Irregular Expenditure - current year	1,509,550	3,907,145
Less: Irregular Expenditure for prior year identified during the current year.	-	274,854
	<b>35,540,077</b>	<b>34,030,527</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	1,509,550	4,181,999
Prior years	34,030,527	29,848,528
	<b>35,540,077</b>	<b>34,030,527</b>
<b>Details of irregular expenditure – current year</b>		
	<b>Disciplinary steps taken/criminal proceedings</b>	
Non compliance with the MFMA and MSA	Overpayment of the acting allowance was identified during the year and still to be investigated	312,572
Tender process not followed as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	981,161
Insufficient quotation obtained as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	215,817
		<b>1,509,550</b>
<b>41. Interest income</b>		
Interest charged on trade and other receivables	324,591	134,951
Bank	97,406	182,607
	<b>421,997</b>	<b>317,558</b>
<b>42. LG SETA Income</b>		
LG SETA income	39,253	130,135

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand

### 43. Pension and Medical Aid Contributions

Opening balance	685,168	-
Current year subscription /Fee	8,016,514	7,994,497
Amount paid - Current year	(8,027,842)	(7,309,329)
	<b>673,840</b>	<b>685,168</b>

### 44. Audit fees

Opening Balance	502,213	2,057,259
Current year subscription/ fees	2,524,165	2,397,729
Amount paid-current year	(1,464,170)	(3,952,775)
	<b>1,562,208</b>	<b>502,213</b>

### 45. VAT

Opening balance	1,012,214	1,593,805
Current year subscription/fee	1,144,973	1,116,629
Amount Received -current year	(187,212)	(1,698,220)
	<b>1,969,975</b>	<b>1,012,214</b>

### 46. PAYE,UIF and SDL

Opening balance	(585,765)	(753,583)
Current year subscription/fee	(8,615,931)	(7,646,297)
Amount paid- Current year	4,683,011	7,814,115
	<b>(4,518,685)</b>	<b>(585,765)</b>

### 47. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget above 5% is deemed to be material and are provided reasons on the differences.

#### **Statement of Financial Performance:**

##### **Rental of Facilities and Equipment**

The municipality had less rental of the side hall and other facilities that expected

##### **Fees Earned**

Due to less tender advertised.

##### **Other Income**

Due to high refund made from Stellenbosch University for a project that was cancelled

##### **Interest Income**

Due to high outstanding amount from Kopanong Local Municipality

##### **Government Grants and Subsidies**

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand

2017

2016

### 47. Budget differences (continued)

MSIG grant was changed from a direct grant to an indirect grant this resulted in the MSIG not being received by the municipality

#### ***LG SETA Income***

The municipality were not informed if they were going to receive from LG SETA as we did not have any training budget on the skills development plan

#### ***Employee Related Cost***

The cost is lower than budget due to the fact that we did not have director in other departments during the financial year

#### ***Remuneration of Councillors***

The difference was due to the adjustment of the salaries as a result of the upper limits during the year and more councillors as part-time than full time.

#### ***Depreciation***

The depreciation was less than budgeted this was due to the changes made to the asset register towards the end of the previous financial year

#### ***Impairment Asset***

The municipality did not budget to impair any asset during the financial year due to unexpected matters in assets

#### ***Finance Costs***

The municipality had overdrafts during the financial year which resulted in the high finance cost

#### ***Repairs and Maintenance***

No major repairs and maintenance were done by the municipality

#### ***General Expense***

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand

2017

2016

### 47. Budget differences (continued)

Due to high auditor's remuneration, levies, software expenses (mSCOA), printing and stationery and other expenses

#### Statement of Financial Position

##### Inventory

The municipality planned to have fully issued the inventory it have and purchased during the financial year however due to the lack of funds the municipality only was able to purchase most of the inventory towards year end this resulted in the having a closing balance at year end.

##### Receivable from exchange transactions

The municipality planned to recover all the debtors during the financial year however we had problem again to recover the money due to the municipality.

##### VAT receivable

The municipality due to the cash flow problems hope to have received all the amount due to it by SARS how ever as at yearend the amount was not received due to not yet having paid some of the creditors.

##### Cash and Cash equivalents

The balance at year end is less due to the fact that we did not receive the MSIG during the current financial year.

##### Property Plant and equipment

The PPE is less then what was budget as we did not have enough funds to purchase additional assets and high rate of the depreciation recorded.

##### Intangible Asset

The municipality did not have intangible assets during the budget as we where not sure as to how account for it during the budget stage and it only become clear toward the end of the financial year

##### Payable from exchange transactions

The payable from exchange transactions are increased due to the fact that we could not pay suppliers due to lack of money.

##### Unspent conditional grants and receipts

The municipality did not plan to have unspent conditional grrants during the financial year however during the

##### Provision

The provision is highly depended on the information provided during the acturial valuation the estimate was the best we can based on historical information we had.

##### Accumulated surplus

Accumulated has decreased due to the losses which the municipality has been reporting at year end.

# Xhariep District Municipality

(Registration number DC16)

Financial Statements for the year ended June 30, 2017

## Notes to the Financial Statements

Figures in Rand

2017

2016

### 48. Non compliance with law and regulations

During the financial year the municipalit had the following non complaine with laws and regulations

Regulation 44 of the Municipal supply chain management regulation and/ or section 44 of supply chain management policy of Xhariep District where MBD4's ( Declaration of interest) where not obtained from supplier

Regulation 43 of the Municipal supply chain management regulations and/ or section 43 of supply chain management policy of xhariep district municipality where suppliers/ service providers did not submit tax clearance certificates prior to awarding

National Treasury circular 81 awarding of business to a supplier/ service provider not on the National Treasury Central Supplier Database(CSD) as required

Regulation 19 of the Municipal suplly chain management regulation and/ or section 19 of Supply chain management policy of xhariep district municipality where tender process was not followed on transaction above R200 000.00 (Vat included)

Section 6(1) of the Preferential Procurement Regulations Framework Act no 5 of 2000 where preferential preference point system was not applied to transaction above R30 000.00 but below R200 000( vat included)

General conditions of contracts applicable to goods and services where a contract was extended above the mini threshold of 15%

Setion62(1)(d) of the municipal finance management act no 56 of 2003 where Unauthorised and fruitless expenditure where incurred

Section 65(2)(e) of the municipal finance management act no 56 of 2003 where payment where not made within thirty (30) days

Section 71(1) monthly budget statements where the municipality did not submit within 10 working days after the end of each month monthly statements

**Schedule of external loans as at 30 June 2017**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at Thursday, June 30, 2016</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at Friday, June 30, 2017</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Loan Stock</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

**Schedule of external loans as at 30 June 2017**

Loan Number	Redeemable	Balance at Thursday, June 30, 2016	Received during the period	Redeemed written off during the period	Balance at Friday, June 30, 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-



**Xhariep District Municipality**  
**Appendix F (Unaudited)**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies del	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
COGTA Financial Assistance Grant	Provincial Government Grant	-	-	-	17,850,000	-	-	-	17,850,000	-	-
Equitable share	National Government Grant	12,391,000	9,814,000	7,435,000	-	9,913,000	9,913,000	9,913,000	-	-	-
Financial Management Grant	National Government Grant	1,250,000	-	-	-	224,933	168,368	275,923	580,777	-	76,000
MSIG Grant	National Government Grants	-	-	-	-	-	-	-	-	1,041,000	-
EPWP Grant	National Government Grants	264,000	473,000	316,000	-	-	-	-	-	-	23,000
RAMMS Grant	National Government Grants	-	1,961,000	1,257,000	-	-	-	415,509	1,863,729	-	-
		13,905,000	12,248,000	9,008,000	17,850,000	10,137,933	10,081,368	10,604,432	20,294,506	1,041,000	99,000

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Xhariep District Municipality  
Appendix G1 (Unaudited)  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended June 30, 2017**

	2017/2016								2016/2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>															
<b>Governance and administration</b>	<b>40,240,093</b>	<b>(1,654,466)</b>	<b>38,585,627</b>	-		<b>38,585,627</b>	<b>38,925,959</b>		<b>340,332</b>	<b>101 %</b>	<b>97 %</b>				<b>41,897,773</b>
Executive and council	11,949,106	(454,531)	11,494,575	-		11,494,575	11,671,964		177,389	102 %	98 %				8,216,396
Budget and treasury office	12,093,401	(681,373)	11,412,028	-		11,412,028	11,340,161		(71,867)	99 %	94 %				14,280,475
Corporate services	16,197,586	(518,562)	15,679,024	-		15,679,024	15,913,834		234,810	101 %	98 %				19,400,902
<b>Economic and environmental services</b>	<b>12,378,022</b>	<b>1,654,466</b>	<b>14,032,488</b>	-		<b>14,032,488</b>	<b>14,608,167</b>		<b>575,679</b>	<b>104 %</b>	<b>118 %</b>				<b>11,548,527</b>
Planning and development	12,378,022	1,654,466	14,032,488	-		14,032,488	14,608,167		575,679	104 %	118 %				11,548,527
<b>Total Revenue - Standard</b>	<b>52,618,115</b>	<b>-</b>	<b>52,618,115</b>	<b>-</b>		<b>52,618,115</b>	<b>53,534,126</b>		<b>916,011</b>	<b>102 %</b>	<b>102 %</b>				<b>53,446,300</b>

**Khariep District Municipality  
Appendix G1 (Unaudited)  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended June 30, 2017**

	2017/2016							2016/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>42,040,093</b>	<b>(1,654,466)</b>	<b>40,385,627</b>	-	-	<b>40,385,627</b>	<b>45,035,395</b>	-	<b>4,649,768</b>	<b>112 %</b>	<b>107 %</b>	-	-	-	-
Executive and council	13,749,106	(454,531)	13,294,575	-	-	13,294,575	17,177,455	-	3,882,880	129 %	125 %	-	-	-	-
Budget and treasury office	12,093,401	(681,373)	11,412,028	-	-	11,412,028	12,268,442	-	856,414	108 %	101 %	-	-	-	-
Corporate services	16,197,586	(518,562)	15,679,024	-	-	15,679,024	15,589,498	-	(89,526)	99 %	96 %	-	-	-	-
<b>Economic and environmental services</b>	<b>12,378,022</b>	<b>1,654,466</b>	<b>14,032,488</b>	-	-	<b>14,032,488</b>	<b>13,087,393</b>	-	<b>(945,095)</b>	<b>93 %</b>	<b>106 %</b>	-	-	-	-
Planning and development	12,378,022	1,654,466	14,032,488	-	-	14,032,488	13,087,393	-	(945,095)	93 %	106 %	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>54,418,115</b>	<b>-</b>	<b>54,418,115</b>	<b>-</b>	<b>-</b>	<b>54,418,115</b>	<b>58,122,788</b>	<b>-</b>	<b>3,704,673</b>	<b>107 %</b>	<b>107 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit) for the year</b>	<b>(1,800,000)</b>	<b>-</b>	<b>(1,800,000)</b>	<b>-</b>	<b>-</b>	<b>(1,800,000)</b>	<b>(4,588,662)</b>	<b>-</b>	<b>(2,788,662)</b>	<b>255 %</b>	<b>255 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,446,300</b>