Fezile Dabi District Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	Municipality
Nature of business and principal activities	District municipality
Mayoral committee	
Executive Mayor	Ms Oliphant AM
Councillors	Ms De Beer V
	Mrs Khiba SV
	Mrs Khunyeli KI
	Ms Majoe AR
	Mr Mareka J
	Mr Matena SZ (Speaker)
	Ms Modikoe MM
	Mr Moshodi M
	Mr Mosia MA
	Mr Msimanga MJ
	Mr Nketu KGL
	Mr Scholtz F
	Mr Setungoane S
	Ms Soetsang TL
	Mr Thulo K
	Currently seconded Councillors
	Mr Geyser JJ
	Ms Gouws EJ
	Mr Khunyeli MJ
	Mr Kubeka LS (MPAC Chair Person)
	Mr Mabasa KT
	Mr Magashule IM
	Ms Mofokeng MM
	Ms Mokodutlo NP
	Mr Motaung TA
	Mr Motebele R
	Ms Pietersen ML
	Mr Pittaway SH
	Ms Serfontain C
	Mr Sotshiva LP
	Mr Tladi S
	Ms Mokoena NP
	Outgoing directly elected Councillors
	Mr De hart D
	Mr George DLS
	Ms Guza GN
	Mr Mahlakazela SJMT
	Ms Mokoena NP
	Mr Spruit MC
	Mr Taje MS
	Mr van der Westhuizen PD

General Information

	Outgoing seconded Councillors Mr Dalton CM Ms Hlapane ML Mr Khumalo KJ Mrs Koloi MA Ms Kubheka NJ Mr Magadlela ZS Ms Makhoba KJ Mr Makoele WL Mr Mbono MD Mr Notsi ME Mr Ntoane MG Mr Poho MS Ms Viljoen AH
Grading of local authority	Grade 1
Capacity of local municipality	Low capacity
Municipal demarcation code	DC20
Accounting Officer	ML Molibeli
Chief Finance Officer (CFO)	G Mashiyi
Registered office	John Vorster Road Sasolburg 1947
Postal address	P.O Box 10 Sasolburg 1947
Bankers	ABSA Bank
Attorneys	Peyper Attorneys Inc Ponoane Attorneys Vusi Rajuili Commercial Law Company

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

Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
DBSA	Development Bank of South Africa
DWA	Department of Water Affairs
EHS	Enviromental Health Services
EPWP	Expanded Public Works Program
FDDM	Fezile Dabi District Municipality
GRAP	Generally Recognised Accounting Practice
HIV	Human Immunodeficiency Virus
IAS	International Accounting Standards
IDP	Intergrated Development Plan
LED	Local Econimic Development
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MMC	Members of the Mayoral Committee
MPAC	Municipal Public Accounts Committee
PMU	Project Management Unit
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on:

ML Molibeli
Municipal Manager

31 August 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	68 216 656	87 149 273
Receivables from non-exchange transactions	4	1 614 160	1 518 665
VAT receivable	5	7 736 604	5 187 197
		77 567 420	**93 855 135**
Non-Current Assets			
Property, plant and equipment	6	31 516 445	31 902 405
Intangible assets	7	2 346 981	856 571
		33 863 426	**32 758 976**
Total Assets		**111 430 846**	**126 614 111**
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	14 755 326	22 644 194
Unspent conditional grants and receipts	9	4 599 068	9 707 950
		19 354 394	**32 352 144**
Non-Current Liabilities			
Provisions for long service awards	10	11 802 000	11 128 000
Employee benefit obligation	11	10 057 000	9 029 000
		21 859 000	**20 157 000**
Total Liabilities		**41 213 394**	**52 509 144**
Net Assets		**70 217 452**	**74 104 967**
Reserves			
Revaluation reserve	12	11 997 563	12 798 150
Accumulated surplus		58 219 889	61 306 817
Total Net Assets		**70 217 452**	**74 104 967**

* See Note 26

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Interest received (investment)	14	6 731 631	7 989 415
Other income	13	1 628 059	1 788 675
Total revenue from exchange transactions		**8 359 690**	**9 778 090**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	15	145 706 632	145 367 031
Public contributions and donations	16	100 000	-
Total revenue from non-exchange transactions		**145 806 632**	**145 367 031**
Total revenue		**154 166 322**	**155 145 121**
Expenditure			
Employee related costs	17	(90 656 986)	(88 361 309)
Remuneration of councillors	18	(6 547 121)	(6 894 723)
Depreciation and amortisation	19	(3 140 875)	(3 590 419)
Reversal of impairment	20	-	100 000
Finance costs	21	(1 996 000)	-
Repairs and maintenance		(2 135 471)	(1 504 260)
Contracted services	22	(6 228 245)	(8 120 503)
General Expenses	24	(47 981 635)	(57 711 293)
Grants and subsidies paid	23	(61 662)	(10 343 901)
Total expenditure		**(158 747 995)**	**(176 426 408)**
Operating deficit		**(4 581 673)**	**(21 281 287)**
Loss on disposal of assets and liabilities		(5 676)	(109 093)
Actuarial gains/losses	11	699 835	-
		694 159	**(109 093)**
Deficit for the year		**(3 887 514)**	**(21 390 380)**

* See Note 26

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	**13 598 737**	**81 896 610**	**95 495 347**
Changes in net assets			
Revaluation reserve realised	(800 587)	800 587	-
Net income (losses) recognised directly in net assets	(800 587)	800 587	-
Deficit for the year	-	(21 390 380)	(21 390 380)
Total recognised income and expenses for the year	(800 587)	(20 589 793)	(21 390 380)
Total changes	(800 587)	(20 589 793)	(21 390 380)
Restated* Balance at 01 July 2016	**12 798 150**	**61 306 816**	**74 104 966**
Changes in net assets			
Deficit for the year	-	(3 887 514)	(3 887 514)
Revaluation reserve realised	(800 587)	800 587	-
Total changes	(800 587)	(3 086 927)	(3 887 514)
Balance at 30 June 2017	**11 997 563**	**58 219 889**	**70 217 452**
Note(s)	12		

* See Note 26

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Grants		140 597 750	145 367 031
Sale of goods and services		(90 735)	-
Interest income		6 731 631	7 989 415
Other receipts		1 723 299	1 788 675
		148 961 945	155 145 121
Payments			
Employee costs		(90 719 879)	(95 256 033)
Suppliers		(70 294 936)	(76 556 609)
Other payments		(2 611 069)	-
		(163 625 884)	(171 812 642)
Net cash flows from operating activities	25	**(14 663 939)**	**(16 667 521)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2 592 720)	(5 930 635)
Proceeds from sale of property, plant and equipment	6	-	70 015
Purchase of other intangible assets	7	(1 681 337)	(26 435)
Other intangible cash item	7	24 598	-
Other cash item		(1 542)	-
Net cash flows from investing activities		**(4 251 001)**	**(5 887 055)**
Net increase/(decrease) in cash and cash equivalents		**(18 914 940)**	**(22 554 576)**
Cash and cash equivalents at the beginning of the year		87 149 273	109 743 252
Cash and cash equivalents at the end of the year	3	**68 234 333**	**87 188 676**

* See Note 26

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	300 000	871 792	**1 171 792**	1 628 059	**456 267**	38.1
Interest received - investment	3 700 000	687 000	**4 387 000**	6 731 631	**2 344 631**	38.2
Total revenue from exchange transactions	**4 000 000**	**1 558 792**	**5 558 792**	**8 359 690**	**2 800 898**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	166 969 000	(21 422 000)	**145 547 000**	145 706 632	**159 632**	
Public contributions and donations	-	-	**-**	100 000	**100 000**	
Total revenue from non-exchange transactions	**166 969 000**	**(21 422 000)**	**145 547 000**	**145 806 632**	**259 632**	
Total revenue	**170 969 000**	**(19 863 208)**	**151 105 792**	**154 166 322**	**3 060 530**	
Expenditure						
Personnel	(89 022 862)	25 000	**(88 997 862)**	(90 656 986)	**(1 659 124)**	
Remuneration of councillors	(7 541 000)	150 000	**(7 391 000)**	(6 547 121)	**843 879**	38.3
Depreciation and amortisation	(5 500 000)	-	**(5 500 000)**	(3 140 875)	**2 359 125**	38.4
Finance costs	-	-	**-**	(1 996 000)	**(1 996 000)**	
Repairs and maintenance	(1 995 600)	(622 310)	**(2 617 910)**	(2 135 471)	**482 439**	38.5
Contracted services	(5 150 000)	435 000	**(4 715 000)**	(6 228 245)	**(1 513 245)**	38.6
Transfers and Subsidies	(23 541 000)	21 360 338	**(2 180 662)**	(61 662)	**2 119 000**	
General Expenses	(40 973 840)	(13 125 660)	**(54 099 500)**	(47 981 635)	**6 117 865**	38.7
Total expenditure	**(173 724 302)**	**8 222 368**	**(165 501 934)**	**(158 747 995)**	**6 753 939**	
Operating deficit	**(2 755 302)**	**(11 640 840)**	**(14 396 142)**	**(4 581 673)**	**9 814 469**	
Loss on disposal of assets and liabilities	-	-	**-**	(5 676)	**(5 676)**	
Actuarial gains/losses	-	-	**-**	699 835	**699 835**	
	-	**-**	**-**	**694 159**	**694 159**	
Deficit before taxation	**(2 755 302)**	**(11 640 840)**	**(14 396 142)**	**(3 887 514)**	**10 508 628**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2 755 302)**	**(11 640 840)**	**(14 396 142)**	**(3 887 514)**	**10 508 628**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Investment revenue	3 700 000	687 000	4 387 000	-		4 387 000	6 731 631		2 344 631	153 %	182 %
Transfers recognised - operational	166 969 000	(21 422 000)	145 547 000	-		145 547 000	145 706 632		159 632	100 %	87 %
Other own revenue	300 000	871 792	1 171 792	-		1 171 792	2 327 894		1 156 102	199 %	776 %
Total revenue (excluding capital transfers and contributions)	**170 969 000**	**(19 863 208)**	**151 105 792**	**-**		**151 105 792**	**154 766 157**		**3 660 365**	**102 %**	**91 %**
Employee costs	(89 022 862)	25 000	(88 997 862)	-	-	(88 997 862)	(90 656 986)	-	(1 659 124)	102 %	102 %
Remuneration of councillors	(7 541 000)	150 000	(7 391 000)	-	-	(7 391 000)	(6 547 121)	-	843 879	89 %	87 %
Depreciation and asset impairment	(5 500 000)	-	(5 500 000)			(5 500 000)	(3 140 875)	-	2 359 125	57 %	57 %
Finance charges	-	-	-	-	-	-	(1 996 000)	-	(1 996 000)	DIV/0 %	DIV/0 %
Transfers and grants	(23 541 000)	21 360 338	(2 180 662)	-	-	(2 180 662)	(61 662)	-	2 119 000	3 %	- %
Other expenditure	(48 119 440)	(13 312 970)	(61 432 410)	-	-	(61 432 410)	(56 351 027)	-	5 081 383	92 %	117 %
Total expenditure	**(173 724 302)**	**8 222 368**	**(165 501 934)**	**-**	**-**	**(165 501 934)**	**(158 753 671)**	**-**	**6 748 263**	**96 %**	**91 %**
Surplus/(Deficit)	**(2 755 302)**	**(11 640 840)**	**(14 396 142)**	**-**		**(14 396 142)**	**(3 987 514)**		**10 408 628**	**28 %**	**145 %**
Contributions recognised - capital and contributed assets	100 000	-	100 000	-		100 000	100 000		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**(2 655 302)**	**(11 640 840)**	**(14 296 142)**	**-**		**(14 296 142)**	**(3 887 514)**		**10 408 628**	**27 %**	**146 %**
Surplus/(Deficit) for the year	**(2 655 302)**	**(11 640 840)**	**(14 296 142)**	**-**		**(14 296 142)**	**(3 887 514)**		**10 408 628**	**27 %**	**146 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	3 330 000	(372 000)	2 958 000	-		2 958 000	1 328 590		(1 629 410)	45 %	40 %
Sources of capital funds											
Transfers recognised - capital	3 330 000	(372 000)	2 958 000	-		2 958 000	-		(2 958 000)	- %	- %
Cash flows											
Net cash from (used) operating	(16 254 586)	-	(16 254 586)	-		(16 254 586)	(14 663 939)		1 590 647	90 %	90 %
Net cash from (used) investing	(2 678 231)	-	(2 678 231)	-		(2 678 231)	(4 251 001)		(1 572 770)	159 %	159 %
Net increase/(decrease) in cash and cash equivalents	**(18 932 817)**	**-**	**(18 932 817)**	**-**		**(18 932 817)**	**(18 914 940)**		**17 877**	**100 %**	**100 %**
Cash and cash equivalents at the beginning of the year	87 149 273	-	87 149 273	-		87 149 273	87 149 273		-	100 %	100 %
Cash and cash equivalents at year end	**68 216 456**	**-**	**68 216 456**	**-**		**68 216 456**	**68 234 333**		**(17 877)**	**100 %**	**100 %**

1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets

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

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occured, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

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 10 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

The municipality uses the incrementa borrowing rate to discount future cash flows.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

1.2 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 are initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies

1.2 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	6 - 30 years
Computer equipment	Straight line	2 - 20 years
Furniture and fixtures	Straight line	2 - 24 years
Land	Straight line	Indefinite
Motor vehicle	Straight line	2 - 20 years
Office equipment	Straight line	20 - 30 years
Other assets	Straight line	1 - 30 years
Plant and machinery	Straight line	2 - 10 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality 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 gains 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Intangible assets

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

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

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

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

Intangible assets are initially measured at cost.

1.3 Intangible assets (continued)

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

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

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

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

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	Depreciation method	Average useful life
Computer software	Straight line	5 - 12 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is the difference between the net disposal proceeds and carrying amount and is included in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

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

Classification

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

Class	Category
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

1.4 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankrupcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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

1.4 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.5 Impairment of cash-generating assets

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

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

Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assets are treated as cash-generating assets.

1.5 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.5 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.5 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.6 Impairment of non-cash-generating assets

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

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

Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of service delivery and generating cash flows managed for non-cash-generating purposes the assets are treated as -noncash-generating assets.

Identification

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

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

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

1.6 Impairment of non-cash-generating assets (continued)

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.7 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.8 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.9 Leases

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

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

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.

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

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

1.10 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include:

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

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

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

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

1.10 Employee benefits (continued)

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

1.10 Employee benefits (continued)

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is to determine the present value of the obligations.

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

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Accounting Policies

1.10 Employee benefits (continued)

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.12 Revenue from exchange transactions

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.

Measurement

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

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 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 surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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.

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

1.13 Revenue from non-exchange transactions

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

Recognition

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

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

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

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Measurement

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

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

Transfers

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

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 the municipality in connection with the borrowing of funds.

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

1.16 Grant in aid

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

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.17 Comparative figures

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

Accounting Policies

1.18 Commitments

Items are classified as commitments when the municipality 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

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

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

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

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

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

Accounting Policies

1.23 Related parties (continued)

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, 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.

1.24 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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses 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.

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 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 01 July 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

2. New standards and interpretations (continued)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.

The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:
- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 18 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Figures in Rand	2017	2016

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 543 671	7 760 615
Short-term deposits	64 672 985	79 388 658
	68 216 656	**87 149 273**

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents include cash on hand, current bank account, bank overdraft and short term deposits with a maturity of three months or less.

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

Credit rating		
ABSA Bank	18 456 735	26 800 368
Nedbank	10 593 919	19 418 585
Standard Bank	35 274 150	32 774 374
Accrued interest	348 181	395 330
	64 672 985	**79 388 657**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Cheque account - 520-000-0100	2 347 982	6 733 744	11 734 765	2 119 418	6 648 425	11 734 765
ABSA Bank - Savings account - 90-7039-9717	1 229 144	127 890	427 285	1 229 144	127 890	427 285
ABSA Bank - HIV/Aids project banl account - 92-0926-9959	247 436	984 300	340 302	247 436	984 300	340 302
Total	**3 824 562**	**7 845 934**	**12 502 352**	**3 595 998**	**7 760 615**	**12 502 352**

4. Receivables from non-exchange transactions

Bursary recoupment	116 066	98 814
Fuel deposit	1 000	1 000
Other debtors	432 262	110 013
Payments in advance	325 785	577 551
Pick n Pay card	2 251	2 251
Recoverable expenses	736 796	729 036
	1 614 160	**1 518 665**

Pledged as security

None of the trade and other receivables were pledged as security.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 1 614 160 (2016: R 1 518 665) were past due but not impaired.

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

3 months past due	1 614 160	1 518 665

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. VAT receivable

VAT	7 736 604	5 187 197

VAT is payable on the payment basis.

6. 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	22 429 174	(4 240 609)	18 188 565	21 358 319	(3 136 814)	18 221 505
Computer equipment	5 283 975	(3 967 299)	1 316 676	4 995 736	(3 550 965)	1 444 771
Furniture and fixtures	4 716 416	(3 729 687)	986 729	4 216 675	(3 432 230)	784 445
Land	2 590 000	-	2 590 000	2 590 000	-	2 590 000
Motor vehicles	13 516 273	(6 339 979)	7 176 294	12 717 288	(5 369 374)	7 347 914
Office equipment	2 710 961	(2 231 583)	479 378	2 470 542	(1 909 385)	561 157
Other assets	2 909 579	(2 157 327)	752 252	1 214 178	(816 223)	397 955
Plant and equipment	115 835	(89 284)	26 551	1 678 325	(1 123 667)	554 658
Total	**54 272 213**	**(22 755 768)**	**31 516 445**	**51 241 063**	**(19 338 658)**	**31 902 405**

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Asset write-offs	Other movements/R e-allocations and transfers	Depreciation	Impairment loss	Total
Buildings	18 221 505	1 166 982	-	(151 294)	(1 048 628)	-	18 188 565
Computer equipment	1 444 771	318 317	-	(64 304)	(374 037)	(8 071)	1 316 676
Furniture and fittings	784 445	336 830	(3 713)	128 752	(256 250)	(3 335)	986 729
Land	2 590 000	-	-	-	-	-	2 590 000
Motor vehicles	7 347 914	798 987	-	-	(970 607)	-	7 176 294
Office equipment	561 157	22 383	(390)	56 621	(159 811)	(582)	479 378
Other assets	397 955	34 530	(31)	551 914	(232 116)	-	752 252
Plant and equipment	554 658	-	-	(520 778)	(7 154)	(175)	26 551
	31 902 405	**2 678 029**	**(4 134)**	**911**	**(3 048 603)**	**(12 163)**	**31 516 445**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Work in progress	Disposals	Transfers received	Depreciation	Total
Buildings	17 079 542	17 500	2 352 141	-	(253 353)	(974 325)	18 221 505
Computer equipment	993 350	653 111	-	(15 483)	253 500	(439 707)	1 444 771
Furniture and fixtures	1 058 216	321	-	(1 914)	26 974	(299 152)	784 445
Land	2 590 000	-	-	-	-	-	2 590 000
Motor vehicles	5 981 970	2 741 086	-	(149 600)	-	(1 225 542)	7 347 914
Office equipment	508 415	112 690	-	(11 493)	171 381	(219 836)	561 157
Other assets	660 942	53 786	-	(590)	(239 296)	(76 887)	397 955
Plant and machinery	685 138	-	-	(28)	40 794	(171 246)	554 658
	29 557 573	**3 578 494**	**2 352 141**	**(179 108)**	**-**	**(3 406 695)**	**31 902 405**

Pledged as security

None of the above assets have been pledged as security:

6. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was 28 June 2013. Revaluations were performed by independent valuer, Kgolofelo Property Services CC were made on the basis of recent market transactions on arm length terms. The revaluation surplus was credited to revaluation reserve.

Land and buildings are re-valued independently every 5 years.

Other information

	2017	2016
Property, plant and equipment (Work in progress)		
Renovations to municipal offices	-	2 352 141

Reconciliation of Work-in-Progress 2016

	Included within Buildings	Total
Renovations to offices	2 352 141	2 352 141

Expenditure incurred to repair and maintain property, plant and equipment

	2017	2016
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Air-Conditioning	247 508	-
Buildings Other	215 545	-
Furniture and equipment	250 299	-
Lift	61 471	-
Security system	53 875	-
Telephone system	41 288	-
Vehicles	1 265 485	-
	2 135 471	**-**

Key assumptions used to determine the recoverable service amount of assets during the period

The municipality conducted asset count during 2017, and this process the assets' conditions were assessed, and it was determined that various assets were impaired.

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.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Caseware	173 950	(110 695)	63 255	173 950	(173 950)	-
Dispatch Early Warning and Auto revit softwares	245 435	(56 815)	188 620	245 435	(29 684)	215 751
Drivelocks systems	728 625	(212 516)	516 109	728 625	(139 653)	588 972
E-venus	468 460	(468 460)	-	468 460	(443 862)	24 598
Microsoft exchange 2010	219 875	(214 306)	5 569	219 875	(197 732)	22 143
Payday system	89 052	(88 692)	360	89 052	(84 376)	4 676
Risk management system	275 200	(22 933)	252 267	-	-	-
Server software	241 071	(241 009)	62	241 071	(240 640)	431
Solar system	1 328 590	(22 143)	1 306 447	-	-	-
Telephone system	30 492	(16 200)	14 292	27 000	(27 000)	-
Total	**3 800 750**	**(1 453 769)**	**2 346 981**	**2 193 468**	**(1 336 897)**	**856 571**

7. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Other movements	Asset write off	Amortisation	Total
Solar system	-	1 328 590	-	-	(22 143)	1 306 447
Caseware	-	-	79 069	-	(15 814)	63 255
Dispatch Early Warning and Auto revit softwares	215 751	-	-	-	(27 131)	188 620
Drivelocks system	588 972	-	-	-	(72 863)	516 109
E-venus	24 598	-	-	(24 598)	-	-
Microsoft exchange 2010	22 143	-	-	-	(16 574)	5 569
Risk management system	-	275 200	-	-	(22 933)	252 267
Payday system	4 676	-	-	-	(4 316)	360
Server software	431	-	-	-	(369)	62
Telephone system	-	-	16 992	-	(2 700)	14 292
	856 571	**1 603 790**	**96 061**	**(24 598)**	**(184 843)**	**2 346 981**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Caseware	24 160	-	(24 160)	-
Dispatch Early Warning and Auto revit softwares	211 160	26 435	(21 844)	215 751
Drivelocks system	661 834	-	(72 862)	588 972
E-Venus	47 304	-	(22 706)	24 598
Microsoft exchange 2010	38 716	-	(16 573)	22 143
Payday system	8 992	-	(4 316)	4 676
Server software	16 744	-	(16 313)	431
Telephone	4 950	-	(4 950)	-
	1 013 860	**26 435**	**(183 724)**	**856 571**

Pledged as security

None of the above intangible assets have been pledged as security:

Figures in Rand	2017	2016

7. Intangible assets (continued)

Other information

There were no Intangible assets that were assessed as having an indefinite lives:

There are no intangible assets whose title is restricted.

There are no contractual commitments for the acquisition of intangible assets.

8. Payables from exchange transactions

Other payables	645 046	-
Retention creditors	306 158	1 618 725
Service bonus accrual	3 490 834	3 304 697
Staff leave accrual	7 284 395	6 468 569
Trade payables	3 028 893	10 818 201
WCA accrual	-	434 002
	14 755 326	**22 644 194**

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Health - Relebohile Clinic: Ngwathe Local Municipality	2 516 435	2 516 435
Department of Public works	85 794	85 794
Department of Roads, Transport and Police - Internal Roads: Ngwathe Local Municipality	732 391	732 391
Department of Sports - Grant: Fezile Dabi Stadium	1 264 448	1 264 448
Expanded Public Works Programme	-	1 000 000
Municipal infrastructure grant - Mafube Local Municipality	-	4 108 882
	4 599 068	**9 707 950**

Movement during the year

Balance at the beginning of the year	9 707 950	4 599 068
Additions during the year	144 706 632	146 367 031
Income recognition during the year	(150 772 814)	(145 367 031)
Additions during the year - principal-agent capacity	-	9 351 000
Utilised during the year - principal-agent capacity	957 300	(5 242 118)
	4 599 068	**9 707 950**

See note 15 for reconciliation of grants from National/Provincial Government.

The municipality is acting in a principal-agent capacity, where projects are handled on behalf of another organ of state for the following unspent conditional grants.

- Department of Health - Relebohile Clinic: Ngwarhe Local Municipality
- Department of Public Works - Church: Ngwathe Local Municipality
- Department of Roads, Transport and Police - Internal Roads: Ngwathe Local Municipality
- Department of Sports - Grant: Fezile Dabi Stadium
- Municipal infrastructure grant - Mafube Local Municipality

10. Provisions for long service awards

Reconciliation of provisions for long service awards - 2017

	Opening Balance	Additions	Total
Long Service Awards	11 128 000	674 000	11 802 000

Reconciliation of provisions for long service awards - 2016

	Opening Balance	Additions	Total
Long Service Awards	9 075 000	2 053 000	11 128 000

	2017	2016
Amounts recognised in the statement of financial performance are as follows:		
Current service cost	(1 634 000)	(1 437 000)
Interest cost	(1 076 000)	(882 000)
Actuarial gains/(losses)	360 000	(971 203)
Cash movements		
Benefit payments	1 676 000	1 237 203
	(674 000)	**(2 053 000)**

	2017	2016
Amounts recognised in the statement of financial position are as follows:		
Long service awards	11 802 000	11 128 000

The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of GRAP 25 by ZAQ Consultants and Actuaries on 30 June 2017.

Key assumptions used:

Assumptions used at the reporting date:

	2017	2016
Discount rates used	Yield curve	Yield curve
Salary inflation	Equal to CPI	Equal to CPI
Net discount rate	Yield curve	Yield curve

The basis on which the discount rate has been determined is as follow:

A GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

The nominal and zero curves as at 30 June 2017 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

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 (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Figures in Rand	2017	2016

11. Retirement benefit obligation

Defined benefit plan

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

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

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ZAQ Consultants and Actuaries.

Post retirement medical aid plan

The Post retirement benefit plan is a defined benefit plan, of which the members are made up as follows:		
In-service members (employees)	135	139
Continuation members (e.g: retirees, widows, orphans)	5	4
	140	**143**

The municipality make monthly contributions for health care arrangements to the following medical aid scheme:

- Bonitas medical scheme
- Discovery medical scheme
- Hosmed medical scheme
- KeyHealth medical scheme
- LA Health medical scheme
- Samwumed medical scheme

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

Carrying value		
Opening balance	(9 029 000)	(7 934 000)
Service costs	(700 000)	(556 000)
Interest costs	(920 000)	(743 000)
Actuarial gains	346 000	26 000
Benefits payment	246 000	178 000
	(10 057 000)	**(9 029 000)**

Net expense recognised in the statement of financial performance

Current service cost	(700 000)	(556 000)
Interest cost	(920 000)	(743 000)
Actuarial gains	346 000	26 000
Benefits payments	246 000	178 000
	(1 028 000)	**(1 095 000)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Retirement benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	Yield curve
Health cost inflation	CPI + 1%	CPI + 1%
Net discount rate	Yield curve based	Yield curve based
	-	-

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

We used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the accrued liability	10 271 000	9 795 000
Effect on interest cost	1 051 000	1 002 000
Effect on service cost	712 000	679 000

Amounts for the current and previous four years are as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	10 057 000	9 029 000	7 934 000	7 444 000	8 417 000

Retirement benefit information - Defined contribution plan

Councillors and employees belong to two defined benefit retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These funds are subject to triennial acturial valuation.

The last valuation of the Free State Municipal Pension Fund was performed June 2008. The Free State Municipal Pension Funds' net assets that were available at 30 June 2008 was R1 929 769 000.

The actuarial valuation determined that the fund was in sound financial position. The estimated liability of the funds is R1 576 689 000 which is adequately financed.

No new information was available at reporting date.

Figures in Rand	2017	2016

12. Revaluation reserve

Opening balance	12 798 150	13 598 737
Reserve realised	(800 587)	(800 587)
	11 997 563	**12 798 150**

13. Other income

Insurance claim received	13 500	16 676
Jazz festival income	688 124	980 958
Recoveries - Councillors and officials	627 256	481 903
Sundry income	273 539	272 428
Tender documents	25 640	36 710
	1 628 059	**1 788 675**

14. Investment revenue

Interest received		
Bank	1 447 304	1 230 167
Short term deposits	5 284 327	6 759 248
	6 731 631	**7 989 415**

Figures in Rand	2017	2016

15. Government grants and subsidies

Equitable share	142 178 000	140 135 000
Financial management grant	1 250 000	1 250 000
Municipal systems improvement grant	-	930 000
Rural roads asset management system grant	2 119 000	2 039 000
Skills education training authorities intern program	-	873 000
Skills education training authorities skills levy	159 632	140 031
	145 706 632	**145 367 031**

Equitable Share

Expanded public works program integrated grant

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

Conditions have been met - remain liabilities (see note 9).

The grant was received by the municipality based on its ability to meet the performance requirements as set by the Department of Public Works.

Financial management grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 9).

The purpose of the financial management grant is to assist municipalities to implement financial reforms required by the MFMA.

Municipal systems improvement grant

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

Conditions have been met - remain liabilities (see note 9).

The fund is used to assist the district in building capacity to perform its functions and stabilise institutional and governance systems as required by the Municipal Systems Act (Act 32 of 2000).

Rural roads asset management system grant

Current-year receipts	-	2 039 000
Conditions met - transferred to revenue	-	(2 039 000)
	-	**-**

Conditions have been met - remain liabilities (see note 9).

The purpose of the Rural roads asset management system grant is to assist the rural district municipalities to set up their road asset management systems and to collect rural data in line with the Road Strategic Framework for South Africa.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Government grants and subsidies (continued)

Skills education training authorities intern program

Balance unspent at beginning of year	-	873 000
Current-year receipts	-	(873 000)
	-	-

Conditions have been met - remain liabilities (see note 9).

The purpose of the SETA grant is aimed at skills development, promoting growth in employment and capacity building to address scarce skills.

Skills education training authorities skills levy

Current-year receipts	159 632	140 031
Conditions met - transferred to revenue	(159 632)	(140 031)
	-	-

Conditions have been met - remain liabilities (see note 9).

The purpose of the SETA grant is aimed at skills development, promoting growth in employment and capacity building to address scarce skills.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

16. Public contributions and donations

Public contributions and donations	100 000	-

Amount pledged by ABSA bank towards an HIV/AIDS awareness event.

17. Employee related costs

Basic	53 615 127	50 171 503
Bonus	993 998	993 999
Medical aid - company contributions	13 340 998	12 703 177
Leave pay provision charge	2 902 260	2 602 287
Overtime payments	1 182 100	2 018 188
Long-service awards	1 634 000	3 415 356
13th Cheques	4 020 868	3 801 435
Car allowance	11 861 395	11 179 664
Housing benefits and allowances	406 240	380 700
Termination benefits	700 000	1 095 000
	90 656 986	**88 361 309**

Remuneration of Municipal manager: ML Molibeli

Annual Remuneration	1 230 315	1 229 064
Car Allowance	454 070	454 070
Contributions to UIF, Medical and Pension Funds	257 006	258 257
Performance Bonuses	271 545	271 545
	2 212 936	**2 212 936**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

17. Employee related costs (continued)

Remuneration of Chief finance officer: G Mashiyi

Annual Remuneration	1 188 428	1 188 428
Car Allowance	363 256	363 256
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Performance Bonuses	217 236	217 236
	1 770 705	**1 770 705**

Remuneration of director - LED: V Moloi

Annual Remuneration	857 496	858 211
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	203 186	202 471
Performance Bonuses	168 406	168 406
	1 373 088	**1 373 088**

Remuneration of director PMU

The position Director: PMU was vacant during the 2015/2016 and 2016/2017 financial year.

Remuneration of director - Corporate services: Adv A Mini

Annual Remuneration	892 038	897 377
Car Allowance	266 000	266 000
Contributions to UIF, Medical and Pension Funds	46 644	41 305
Performance Bonuses	168 406	168 406
	1 373 088	**1 373 088**

Remuneration of director - Health and safety: N Baleni

Annual Remuneration	910 456	913 224
Car Allowance	266 000	266 000
Contributions to UIF, Medical and Pension Funds	28 226	25 458
Performance Bonuses	168 406	168 406
	1 373 088	**1 373 088**

Figures in Rand	2017	2016

18. Remuneration of councillors

Executive Mayor	796 726	820 151
Speaker	403 937	650 515
Mayoral Committee Members	2 707 789	2 534 959
Councillors	2 638 670	2 889 098
	6 547 122	**6 894 723**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Executive Mayor - Cllr MP Moshodi
(01/07/2016 - 09/08/2016)

Basic salary	60 930	500 162
Car allowance	16 397	194 878
Cellphone allowance	2 254	33 090
Social contributions	7 668	92 021
	87 249	**820 151**

Executive Mayor - Cllr AM Oliphant
10/08/2016 - 30/06/2017)

Basic salary	448 644	-
Car allowance	170 934	-
Cellphone allowance	25 736	-
Social contributions	64 163	-
	709 477	**-**

Speaker - Cllr KGL Nkethu
(Current year: 01/07/2016 - 09/08/2016)

Basic salary	48 493	397 123
Car allowance	13 118	155 902
Cellphone allowance	2 254	20 868
Social contributions	6 385	76 622
	70 250	**650 515**

Speaker - Cllr SZ Matena
(10/08/2016 - 30/06/2017)

Basic salary	244 370	-
Car allowance	84 169	-
Cellphone allowance	5 148	-
	333 687	**-**

MPAC Chair person - Cllr L Khubeka
(Current year: 01/07/2016 - 09/08/2016)

Basic salary	28 105	241 846
Car allowance	6 718	80 615
	34 823	**322 461**

MPAC Chair person - Cllr L Khubeka
(Current year: 01/09/2016 - 30/06/2017)

Basic salary	178 932	-
Car allowance	57 590	-
	236 522	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

18. Remuneration of councillors (continued)

MMC - Corporate services - Cllr AM Oliphant (01/07/2016 - 09/08/2016)

	2017	2016
Basic salary	27 332	220 934
Car allowance	7 538	90 451
Social contributions	4 202	50 420
	39 072	**361 805**

MMC - Corporate services - Cllr MM Modikoe (01/09/2016 - 30/06/2017)

	2017	2016
Basic salary	346 937	-
Car allowance	131 495	-
Cellphone allowance	20 374	-
Social contributions	43 310	-
	542 116	**-**

MMC - Ehs & public safety - Cllr VE de Beer (Current year: 01/07/2016 - 09/08/2016)

	2017	2016
Basic salary	31 534	271 354
Car allowance	7 538	90 451
	39 072	**361 805**

MMC - Finance - Cllr ME Notsi (Current year: 01/07/2016 - 09/08/2016)

	2017	2016
Basic salary	27 894	230 257
Car allowance	7 355	88 265
Social contributions	2 878	34 539
	38 127	**353 061**

MMC - Finance - EHS and Public safety - Cllr V De Beer (Current year: 01/09/2016 - 30/06/2017)

	2017	2016
Basic salary	212 752	-
Car allowance	78 497	-
	291 249	**-**

MMC - Led & tourism - Cllr ML Hlapane (Current year: 01/07/2016 - 09/08/2016)

	2017	2016
Basic salary	28 585	228 447
Car allowance	7 538	90 451
Social contributions	2 950	42 907
	39 073	**361 805**

MMC - Led & tourism - Cllr J Mareka (Current year: 01/09/2016 - 30/06/2017)

	2017	2016
Basic salary	212 752	-
Car allowance	73 554	-
	286 306	**-**

MMC - Social development - Cllr GN Guza

	2017	2016
Basic salary	-	216 445
Car allowance	-	88 731
Cellphone allowance	-	20 868
Social contributions	-	49 747

Figures in Rand	2017	2016

18. Remuneration of councillors (continued)

	-	**375 791**

Councillor GN Guza, only served the municipality up to 30 October 2015.

MMC - Social development - Cllr TL Soetsang (Current year: 01/07/2016 - 09/08/2016)		
Basic salary	22 066	154 464
Car allowance	16 061	51 488
	38 127	**205 952**

Councillor TL Soetsang, assumed duties with the municipality with effect from 1 December 2015.

MMC - Social Development - M Moshodi (01/09/2016 - 30/06/2017)		
Basic salary	345 003	-
Car allowance	131 495	-
Cellphone allowance	20 374	-
Social contributions	45 244	-
	542 116	**-**

MMC - Technical services - Cllr K Khumalo (Current year: 01/07/2016 - 09/08/2016)		
Basic salary	27 332	220 934
Car allowance	7 538	90 451
Social contributions	4 202	50 420
	39 072	**361 805**

MMC - Technical Services - SV Khiba (01/09/2016 - 30/06/2017)		
Basic salary	346 937	-
Car allowance	131 495	-
Cellphone allowance	20 374	-
Social contributions	43 310	-
	542 116	**-**

Part time Councillors **Cllr KI Khunyeli, MJ Msimanga, AR Majoe, F Scholtz, KGL Nkethu, MA Mosia, K Thulo, S Setungoane, TL Soetsang** **Outgoing part time Councillors** **Cllr D De Hart, DLS George, GN Guza, SJMT Mahlakazela, MP Mokoena, MC Spruit, MS Taje, PD van der Westhuizen**		
Basic salary	1 683 646	1 721 978
Car allowance	530 780	576 997
Cellphone allowance	205 904	202 225
Social contributions	29 788	-
	2 450 118	**2 501 200**

Seconded Councillors **CM Dalton, ML Hlapane, KJ Khumalo, MA Koloi, NJ Khubeka, ZS Magadlela, KJ Makhoba, WL Makoele, MD Mbono, ME Notsi, MG Ntoane, MS Poho, AH Viljoen**		
Sitting allowance for seconded councillors of local municipalities	188 552	218 374

In-kind benefits

Figures in Rand	2017	2016

18. Remuneration of councillors (continued)

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

The Executive Mayor and the Speaker have use of Council owned vehicles for official duties.

19. Depreciation and amortisation

Intangible assets	184 843	183 725
Property, plant and equipment	3 048 603	3 406 695
	3 233 446	**3 590 420**

20. Reversal of impairment

Debt impairment	-	(100 000)

21. Finance costs

Interest expense relating to GRAP 25	1 996 000	-

22. Contracted services

Various contractors	6 228 245	8 120 503

These payments are contracts which have been entered into during the current and prior financial year.

Contracted services		
Establishment of Koppies green house	795 600	1 980 000
Jazz festival	5 432 645	6 140 503
	6 228 245	**8 120 503**

23. Grants and subsidies paid

Other subsidies		
Mafube Local Municipality	61 662	989
Metsimaholo Local Municipality	-	342 912
Ngwathe Local Municipality	-	10 000 000
	61 662	**10 343 901**

The Municipality identifies projects which are funded through grants and subsidies in the various local municipalities within the District. Projects are identified through the Integrated Development Plan. The operation and control of items of property, plant and equipment funded through these grants and subsidies vests in the local municipalities.

Figures in Rand	2017	2016

24. General expenses

	2017	2016
Advertising	215 685	174 407
Air quality management	2 234 796	2 500 026
Annual review disaster management plan	194 900	65 000
Audit Committee	27 558	119 235
Auditors remuneration	3 480 550	2 624 696
Bank charges	78 005	79 430
Bursaries: External students	434 438	946 006
Bursaries: Internal	332 540	610 141
Catering	3 069 047	4 406 080
Chemicals	29 150	-
Cleaning	423 974	472 685
Climate change and green economy	1 283 456	234 079
Community development and training	229 352	224 580
Computer expenses	762 781	730 658
Conferences and seminars	262 142	400 651
Consulting and professional fees	820 878	591 731
Consumables	377 074	201 540
Corporate reports	725 937	686 083
Develop stadium parking	-	749 696
Distribution to beneficiaries (HIV and Aids)	800 000	-
Donations	695 797	549 325
Emergency funds	481 012	470 595
Employee assistance program	84 400	111 948
Entertainment	256 274	538 146
Entrepreneurial support system	19 849	76 850
Enviromental health services	1 985	113 200
Event expenses	5 763 070	9 698 782
Fire planning and co-ordination	224 200	-
Fleet	81 100	89 053
Fuel and oil	817 658	1 028 624
Gifts	143 100	218 451
IT expenses	527 063	1 474 838
Insurance	341 186	296 760
Integrated fire management plan	481 123	432 125
Learnership service provider	-	1 531 904
Levies	1 239 050	1 250 000
Magazines, books and periodicals	95 999	55 889
Marketing	1 578 290	3 008 178
Municipal services	1 326 853	504 532
Other expenses	214 716	482 802
Performance management system	2 055 345	2 080 179
Policy review	-	109 650
Printing and stationery	1 526 641	1 538 408
Promotions	979 318	175 000
Protective clothing	463 382	633 778
Public participation meetings	606 809	842 856
Rental equipment	2 779 448	2 470 368
Research and development costs	50 000	-
Sampling and testing	313 513	410 108
Security (Guarding of municipal property)	193 888	63 645
Signage	-	61 800
Software expenses	114 800	263 680
Sports development programs	344 728	243 266
Staff welfare	70 554	55 805
Stipend	195 000	547 073
Subscriptions and membership fees	964 645	1 075 718
Telephone and fax	1 539 106	1 272 340
Training	617 354	336 523
Travel - local	4 159 025	5 258 349

Figures in Rand	2017	2016

24. General expenses (continued)

Upgrade of district centre	161 500	649 869
Upgrading of municipal resorts	-	925 429
Vector control	264 048	514 721
Workmans compensation fund	427 543	434 002
	47 981 635	**57 711 293**

All donations made by the municipality are in terms of the council's donation policy.

25. Cash used in operations

Deficit	(3 887 514)	(21 390 380)
Adjustments for:		
Depreciation and amortisation	3 140 875	3 590 419
Gain on sale of assets and liabilities	5 676	109 093
Non-cash included in other income	(4 760)	-
Non-cash performance bonus	993 997	-
Non-cash leave provision	2 902 260	-
Non-cash finance costs	1 996 000	-
Non-cash long service award	1 634 000	-
Non-cash employee benefit	186 136	-
Other	-	35 908
Movements in operating lease assets and accruals	-	(81 683)
Movements in retirement benefit assets and liabilities	(606 000)	1 095 000
Movements in provisions	674 000	2 053 000
Other non-cash items	-	21 171
Changes in working capital:		
Receivables from non-exchange transactions	(90 735)	181 976
Payables from exchange transactions	(13 949 585)	1 340 843
VAT	(2 549 407)	(8 731 750)
Unspent conditional grants and receipts	(5 108 882)	5 108 882
	(14 663 939)	**(16 667 521)**

26. Prior period errors

Below is a summary of the total effect that the prior period errors, change in accounting policies and reclassifications of comparatives had on the amounts periviously diclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance **Revenue**	Balance as previously reported	Prior period error	Reclassifica-tion	Total
Administration and management fees received	36 710	-	-	36 710
Other income	1 751 965	36 710	-	1 788 675
Interest received - investment	7 989 415	-	-	7 989 415
Government grants and subsidies	145 367 031	-	-	145 367 031
	155 145 121	**36 710**	**-**	**155 181 831**
Expenses				
Employee related cost	(88 361 309)	-	-	(88 361 309)
Remuneration of councillors	(6 894 723)	-	-	(6 894 723)
Depreciation and amortisation	(3 590 419)	-	-	(3 590 419)
Reversal of impairment/(debt impairment)	100 000	-	-	100 000
Repairs and maintenance	(1 512 178)	7 918	-	(1 504 260)
Contracted services	(13 546 206)	-	5 425 702	(8 120 504)
Grants and subsidies paid	(13 933 191)	-	3 589 290	(10 343 901)
General expenses	(48 670 706)	10 314	(9 014 992)	(57 675 384)
	(176 408 732)	**18 232**	**-**	**(176 390 500)**

26. Prior period errors (continued)

Operating (deficit) / surplus	(21 263 611)	18 232	-	(21 245 379)
Gain on disposal of financial assets	(109 093)	-	-	(109 093)
	(21 372 704)	**18 232**	**-**	**(21 354 472)**

Statement of financial position	Balance as previously reported	Prior period error	Reclassification	Total
Current assets				
Cash and cash equivalents	87 149 273	-	-	87 149 273
Receivables from exchange transactions	1 518 665	-	-	1 518 665
VAT receivable	5 187 197	-	-	5 187 197
	93 855 135	**-**	**-**	**93 855 135**
Non-current assets				
Property, plant and equipment	31 902 405	39 403	-	31 941 808
Intangible assets	856 571	(3 492)	-	853 079
	32 758 976	**35 911**	**-**	**32 794 887**
Current liabilities				
Payables from exchange transactions	22 626 518	17 679	-	22 644 197
Unspent conditional grants	9 707 950	-	-	9 707 950
	32 334 468	**17 679**	**-**	**32 352 147**
Non-current liabilities				
Retirement benefit obligation	9 029 000	-	-	9 029 000
Provisions for long service awards	11 128 000	-	-	11 128 000
	20 157 000	**-**	**-**	**20 157 000**
Net assets				
Revaluation reserve	12 798 150	-	-	12 798 150
Accumulated surplus - opening balance	61 324 493	18 232	-	61 342 725
	74 122 643	**18 232**	**-**	**74 140 875**

27. Going concern

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

28. Change in estimate

Property, plant and equipment

Depreciable assets' remaining useful lives were reassessed at the beginning of the current reporting period to reflect actual pattern of service potential derived from the assets.

The effect on the current year:

Change in estimate	2017	2016
Decrease in depreciation	(563 100)	(288 855)
Increase in Property, plant and equipment	563 100	288 855
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

29. Unauthorised expenditure

Balance at the beginning of the year	-	-
Unauthorised expenditure - current year	1 858 757	4 348 593
Less: Amount approved/written-off by council	(1 858 757)	(4 348 593)
	-	**-**

30. Fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure - current year	9 187	23 164
Amounts recovered	(1 710)	(2 618)
Written-off by council	(7 477)	(20 546)
	-	**-**

31. Irregular expenditure

The full extent of irregular expenditure is still in the process of being determined.

Refer to note 42 for the detail of the current year irregular expenditure.

Opening balance	26 341	-
Add: Irregular expenditure - current year	1 988 080	26 341
Less: Written-off by Council	-	-
	2 014 421	**26 341**

32. In-kind donations and assistance

Public contributions and donations	100 000	-

Figures in Rand	2017	2016

33. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription/fee	27 709	26 694
Amount paid - current year	(27 709)	(26 694)
	-	-

Audit fees

Current year subscription / fee	3 480 550	2 624 696
Amount paid - current year	(3 480 550)	(2 624 696)
	-	-

PAYE and UIF

Current year subscription / fee	19 508 510	18 007 627
Amount paid - current year	(19 508 510)	(18 007 627)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	21 500 059	20 228 734
Amount paid - current year	(21 500 059)	(20 228 734)
	-	-

VAT

VAT receivable	7 795 304	5 187 197

VAT input receivables are shown in note 5.

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

34. Related parties

Relationships

Members of key management	Refer to note 17
Executive Council Members	Refer to note 18

35. Risk management

Financial risk management

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

35. Risk management (continued)

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.

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	14 856 720	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	22 626 518	-	-	-

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

Financial instrument	2017	2016
Receivables from exchange transactions	1 614 160	1 518 665
Cash and cash equivalents	68 216 656	87 234 591

Market risk

Interest rate risk

The municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates

The risk is managed on an on-going basis

36. Events after the reporting date

No other events took place after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviation categories		
Emergency	306 169	200 556
Others	4 739 661	3 008 557
	5 045 830	**3 209 113**

38. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 614 160	1 614 160
Cash and cash equivalents	68 216 656	68 216 656
	69 830 816	**69 830 816**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	14 856 720	14 856 720
Unspent conditional grants	4 599 068	4 599 068
	19 455 788	**19 455 788**

2016

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 518 665	1 518 665
Cash and cash equivalents	87 149 273	87 149 273
	88 667 938	**88 667 938**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	22 626 518	22 626 518
Unspent conditional grants	9 707 950	9 707 950

Figures in Rand	2017	2016

38. Financial instruments disclosure (continued)

	32 334 468	**32 334 468**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Rural roads asset management system	-	2 161 262
• Tiro trading enterprise	-	900 907
• Maki Mokhaneli Trading and Projects CC	1 402 200	-
	1 402 200	**3 062 169**

Total capital commitments		
Already contracted for but not provided for	1 402 200	-

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.

40. Contingencies

The municipality had the following contingent liabilities as at year end.

The certainty and timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows.

FDDM / SAMWU obo P.Setsheli - Labour case	2 000 000	1 200 000
FDDM / Nyumba Mobile Homes & Offices (Pty) Ltd	160 000	353 130
FDDM / Picasso Headlines (pty) Ltd	80 000	42 476
FDDM / Khulekani Services Services	900 000	-
	3 140 000	**1 595 606**

- P. Setsheli: Dismissal due to misconduct in refusing to take lawful orders
-Nybumba Mobile Homes & Office (Pty) Ltd: Outstanding money owed for project undertaken by joint venture for the construction of additional wards and new forensic mortuary at Metsemaholo District Hospital.
- Picasso Headline (Pty) Ltd: Outstanding payment relating to advertising charges.
- Khulekani Security Services: Civil claim regarding a payment dispute relating to security services.
- This is an outcome of a VAT audit conducted by SARS from the 2012 financial year.

41. Budget differences

Material differences between budget and actual amounts

38.1 Recovery of private telephone and cellphone cost
38.2 Cash flow better managed to ensure maximum benefit.
38.3 The Local Government Election. There were no Council meetings for 2 months and there were no Executive Mayor, Speaker and Mayoral committee members for 1 month.
38.4 Due to review of useful lives of assets
38.5 No major repairs were needed to vehicle and buildings - No Infrastructure assets
38.6 A number of new contracts were awarded.
38.7 Cost cutting measures were implemented.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

42. Details of irregular expenditure - current year

Expenditure items identified where the supply chain process was not followed in obtaining 3 quotes. Disciplinary steps taken/criminal proceedings: The expenditure was identified during the current financial year and still needs to be investigated.	1 988 080	-