Dikgatlong Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	South African Category B Municipality as defined by the Municipal Structures Act, Act no 117 of 1998
Nature of business and principal activities	Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996
Mayoral committee	MA Mahutie T Saul AJ Mafofololo MP Chupologo
Executive Mayor	DD Mbizeni
Accounting Officer	AK Modise
Chief Finance Officer (CFO)	LS Itumeleng
Accounting Officer	AK Modise
Registered office	33 Campbell Street Barkly West 8375
Business address	33 Campbell Street Barkly West 8375
Postal address	Private Bag X5 Barkly West 8375
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners
Members of the audit commitee	Mr WMS Calitz (Chairperson) Mr GR Botha Mr T Mogoli
Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division of Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no 89 of 1991) Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning anf Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 55 of 1998) Unemployment Insurance Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013)

Index

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

Index

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IDP	Integrated Development Plan
IMFO	Institute of Municipal Finance Officers
INEP	Intergrated National Electrification Programme
MSA	Municipal Systems Act
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay As You Earn
SALGA	South African Local Government Associaton
SARS	South African Revenue Services

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 26 October 2018 and were signed on its behalf by:

AK Modise
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996 and operates principally in South Africa.

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

Net deficit of the municipality was R 18 985 746 (2017: surplus R 4 487 965).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 637 032 300 and that the municipality's total assets exceed its liabilities by R 637 032 300.

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2019 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has acess to, adequate resoources to continue it's operation existing for the foreseeable furture.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 48.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board as the prescribed framework by National Treasury, and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officer

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

Name	Nationality	Changes
AK Modise	South African	Appointed Tuesday, 01 May 2018

BH Tsinyane was the acting accounting officer up to the date of appointment of the current accounting officer.

7. Auditors

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

Accounting Officer's Report

8. Non-compliance with applicable legislation

The municipality did not fully comply with the Municipal Finance Management Act, during the year under review. Please refer to note 53 (Non-compliance with Municipal Finance Management Act) for detail on sections not complied with.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	10	1 546 224	1 550 448
Operating lease asset	8	27 005	22 582
Receivables from non-exchange transactions	11&14	20 960 190	20 655 134
VAT receivable	12	38 384 938	33 062 808
Consumer receivables from exchange transactions	13	53 450 723	53 758 866
Cash and cash equivalents	15	1 067 709	1 997 300
		115 436 789	**111 047 138**
Non-Current Assets			
Investment property	3	50 033 619	46 813 115
Property, plant and equipment	4	620 476 229	617 281 407
Intangible assets	5	35 794	58 064
Heritage assets	6	12 183 752	12 183 752
Other financial assets	7	9 509	9 509
		682 738 903	**676 345 847**
Total Assets		**798 175 692**	**787 392 985**
Liabilities			
Current Liabilities			
Other financial liabilities	18	125 594	105 835
Finance lease obligation	16	23 815	-
Payables from exchange transactions	20	139 206 566	111 791 970
Consumer deposits	21	555 779	535 497
Employee benefit obligation	9	404 000	495 000
Unspent conditional grants and receipts	17	403 058	349 370
		140 718 812	**113 277 672**
Non-Current Liabilities			
Other financial liabilities	18	1 149 264	1 260 526
Finance lease obligation	16	35 676	-
Employee benefit obligation	9	3 869 000	4 312 000
Provisions	19	15 370 640	12 524 740
		20 424 580	**18 097 266**
Total Liabilities		**161 143 392**	**131 374 938**
Net Assets		**637 032 300**	**656 018 047**
Accumulated surplus		637 032 300	656 018 047

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	37 617 785	51 493 942
Interest received (trading)		29 223 157	24 283 535
Licences and permits		87 348	833 887
Commissions received		117 557	103 040
Rental income		132 707	280 006
Other income	25	618 707	449 280
Interest received - investment	26	429 918	577 162
Dividends received	26	724	500
Total revenue from exchange transactions		**68 227 903**	**78 021 352**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	10 120 085	7 343 449
Transfer revenue			
Government grants & subsidies	28	107 356 674	119 014 298
Public contributions and donations	29	6 266 306	1 583 190
Fines, Penalties and Forfeits		24 934	29 480
Total revenue from non-exchange transactions		**123 767 999**	**127 970 417**
Total revenue	22	**191 995 902**	**205 991 769**
Expenditure			
Employee related costs	30	(57 769 426)	(52 249 990)
Remuneration of councillors	31	(3 831 871)	(3 757 378)
Depreciation and amortisation	32	(18 630 520)	(18 722 239)
Impairment loss / Reversal of impairments	33	(6 409 837)	(4 661 771)
Finance costs	34	(6 788 212)	(7 396 054)
Lease rentals	40	(832 754)	(268 880)
Debt Impairment	35	(46 302 230)	(46 543 641)
Bulk purchases	36	(34 249 312)	(32 404 084)
Consulting fees	37	(11 243 598)	(7 398 465)
General expenses	38	(19 852 195)	(25 307 223)
Total expenditure		**(205 909 955)**	**(198 709 725)**
Operating (deficit) surplus		**(13 914 053)**	**7 282 044**
Loss on disposal of assets and liabilities		(6 192 229)	(2 417 105)
Actuarial gains/losses	9	1 120 536	(376 974)
		(5 071 693)	**(2 794 079)**
(Deficit) surplus for the year		**(18 985 746)**	**4 487 965**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**651 530 082**	**651 530 082**
Changes in net assets		
Surplus for the year	4 487 965	4 487 965
Total changes	4 487 965	4 487 965
Opening balance as previously reported	539 193 125	539 193 125
Adjustments		
Correction of errors	116 824 921	116 824 921
Restated* Balance at 01 July 2017 as restated*	**656 018 046**	**656 018 046**
Changes in net assets		
Surplus for the year	(18 985 746)	(18 985 746)
Total changes	(18 985 746)	(18 985 746)
Balance at 30 June 2018	**637 032 300**	**637 032 300**

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Taxation		9 927 314	5 716 115
Sale of goods and services		21 711 402	18 659 132
Grants		113 622 979	120 597 488
Interest income		429 918	577 662
Dividends received		724	500
		145 692 337	145 550 897
Payments			
Employee costs		(61 014 756)	(54 544 231)
Suppliers		(41 161 310)	(26 561 467)
Finance costs		(6 788 212)	(9 308 479)
Finance costs (leases - added back)		4 511	-
		(108 959 767)	(90 414 177)
Undefined difference compared to the cash generated from operations note		**(1)**	**-**
Net cash flows from operating activities	41	**36 732 569**	**55 136 720**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(30 658 758)	(52 618 729)
Proceeds from sale of property, plant and equipment	4	(1 670 952)	(68 450)
Purchase of investment property	3	(4 889 039)	(770 399)
Proceeds from sale of investment property	3	1 878 060	-
Purchase of other intangible assets	5	(4 701)	(51 765)
Proceeds from sale of other intangible assets	5	4 991	7 570
Other property, plant and equipment movement		(2 285 231)	-
Net cash flows from investing activities		**(37 625 630)**	**(53 501 773)**
Cash flows from financing activities			
Repayment of other financial liabilities		(91 503)	(114 981)
Finance lease payments		54 972	-
Net cash flows from financing activities		**(36 531)**	**(114 981)**
Net increase/(decrease) in cash and cash equivalents		**(929 592)**	**1 519 966**
Cash and cash equivalents at the beginning of the year		1 997 300	477 319
Cash and cash equivalents at the end of the year	15	**1 067 708**	**1 997 285**

* See Note 46

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 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						
Service charges	51 972 000	-	**51 972 000**	37 617 785	**(14 354 215)**	1
Interest received (trading)	22 702 000	-	**22 702 000**	29 223 157	**6 521 157**	3
Licences and permits	-	-	**-**	87 348	**87 348**	4
Commissions received	-	-	**-**	117 557	**117 557**	5
Rental income	319 000	-	**319 000**	132 707	**(186 293)**	6
Other income - (rollup)	5 436 000	-	**5 436 000**	618 707	**(4 817 293)**	7
Interest received - investment	430 000	-	**430 000**	429 918	**(82)**	8
Dividends received	-	-	**-**	724	**724**	9
Total revenue from exchange transactions	**80 859 000**	**-**	**80 859 000**	**68 227 903**	**(12 631 097)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 720 000	-	**4 720 000**	10 120 085	**5 400 085**	10
Transfer revenue						
Government grants & subsidies	74 105 000	-	**74 105 000**	107 356 674	**33 251 674**	11
Public contributions and donations	-	-	**-**	6 266 306	**6 266 306**	12
Fines, Penalties and Forfeits	60 000	-	**60 000**	24 934	**(35 066)**	13
Total revenue from non-exchange transactions	**78 885 000**	**-**	**78 885 000**	**123 767 999**	**44 882 999**	
Total revenue	**159 744 000**	**-**	**159 744 000**	**191 995 902**	**32 251 902**	
Expenditure						
Personnel	(52 074 000)	-	**(52 074 000)**	(57 769 426)	**(5 695 426)**	14
Remuneration of councillors	(3 730 000)	-	**(3 730 000)**	(3 831 871)	**(101 871)**	15
Depreciation and amortisation	(22 075 000)	-	**(22 075 000)**	(18 630 520)	**3 444 480**	16
Impairment loss	(3 000 000)	-	**(3 000 000)**	(6 409 837)	**(3 409 837)**	17
Finance costs	(6 176 000)	-	**(6 176 000)**	(6 788 212)	**(612 212)**	18
Lease rentals on operating lease	-	-	**-**	(832 754)	**(832 754)**	19
Debt Impairment	-	-	**-**	(46 302 230)	**(46 302 230)**	20
Repairs and maintenance	(7 593 000)	-	**(7 593 000)**	(2 505 563)	**5 087 437**	21
Bulk purchases	(23 436 000)	-	**(23 436 000)**	(34 249 312)	**(10 813 312)**	22
Contracted Services	(16 786 000)	-	**(16 786 000)**	(11 243 598)	**5 542 402**	23
General Expenses	(25 134 000)	-	**(25 134 000)**	(17 346 632)	**7 787 368**	24
Total expenditure	**(160 004 000)**	**-**	**(160 004 000)**	**(205 909 955)**	**(45 905 955)**	
Operating deficit	**(260 000)**	**-**	**(260 000)**	**(13 914 053)**	**(13 654 053)**	
Loss on disposal of assets and liabilities	715 000	-	**715 000**	(6 192 229)	**(6 907 229)**	25
Actuarial gains/losses	-	-	**-**	1 120 536	**1 120 536**	26
	715 000	**-**	**715 000**	**(5 071 693)**	**(5 786 693)**	
Deficit for the year	**455 000**	**-**	**455 000**	**(18 985 746)**	**(19 440 746)**	

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 Position						
Assets						
Current Assets						
Inventories	3 463 000	-	**3 463 000**	1 546 224	**(1 916 776)**	27
Operating lease asset	-	-	**-**	27 005	**27 005**	28
Receivables from non-exchange transactions	6 000 000	-	**6 000 000**	20 960 190	**14 960 190**	29
VAT receivable	-	-	**-**	38 384 938	**38 384 938**	30
Consumer debtors	88 879 000	-	**88 879 000**	53 450 723	**(35 428 277)**	31
Cash and cash equivalents	7 497 000	-	**7 497 000**	1 067 709	**(6 429 291)**	32
	105 839 000	**-**	**105 839 000**	**115 436 789**	**9 597 789**	
Non-Current Assets						
Investment property	565 000	-	**565 000**	50 033 619	**49 468 619**	33
Property, plant and equipment	569 050 000	-	**569 050 000**	620 476 229	**51 426 229**	34
Intangible assets	222 000	-	**222 000**	35 794	**(186 206)**	35
Heritage assets	-	-	**-**	12 183 752	**12 183 752**	36
Other financial assets	-	-	**-**	9 509	**9 509**	37
	569 837 000	**-**	**569 837 000**	**682 738 903**	**112 901 903**	
Total Assets	**675 676 000**	**-**	**675 676 000**	**798 175 692**	**122 499 692**	
Liabilities						
Current Liabilities						
Other financial liabilities	1 700 000	-	**1 700 000**	125 594	**(1 574 406)**	38
Finance lease obligation	-	-	**-**	23 815	**23 815**	39
Payables from exchange transactions	49 403 000	-	**49 403 000**	139 206 554	**89 803 554**	40
Consumer deposits	721 000	-	**721 000**	555 779	**(165 221)**	41
Employee benefit obligation	-	-	**-**	404 000	**404 000**	42
Unspent conditional grants and receipts	-	-	**-**	403 058	**403 058**	43
Provisions	6 348 000	-	**6 348 000**	-	**(6 348 000)**	44
	58 172 000	**-**	**58 172 000**	**140 718 800**	**82 546 800**	
Non-Current Liabilities						
Other financial liabilities	1 700 000	-	**1 700 000**	1 149 264	**(550 736)**	45
Finance lease obligation	-	-	**-**	35 676	**35 676**	46
Employee benefit obligation	-	-	**-**	3 869 000	**3 869 000**	47
Provisions	15 368 000	-	**15 368 000**	15 370 640	**2 640**	48
	17 068 000	**-**	**17 068 000**	**20 424 580**	**3 356 580**	
Total Liabilities	**75 240 000**	**-**	**75 240 000**	**161 143 380**	**85 903 380**	
Net Assets	**600 436 000**	**-**	**600 436 000**	**637 032 312**	**36 596 312**	

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	600 436 000	-	**600 436 000**	637 335 638	**36 899 638**	49
Undefined Difference	**-**	**-**	**-**	**(303 326)**	**(303 326)**	
Total Net Assets	**600 436 000**	**-**	**600 436 000**	**637 335 638**	**36 899 638**	

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

Basis differences
The budget and actual amounts are reported on the the same basis, i.e. accrual.

Timing differences
The budget and actual amounts are reported for the same periods, i.e. 01 July 2017 to 30 June 2018.

Entity differences
The budget and actual amounts are reported for only one entity, i.e. Dikgatlong Local Municipality.

Comments on Budget and Actual variances

1. Interim charges were reversed for a number of accounts and actual charges were levied. Actuals proved to be lower than interims.

2. No amounts for 2018.

3. Due to increasing non-payment levels.

4. Indications were that the department will move the service to the post office, however, not all services were moved. The municipality still performs some of the services for the department.

5. This was budgeted for under other income.

6. Rental is based on market demand, which is beyond the municipality's control.

7. Actuals do not include public contributions and donations.

8. Interest is determined by the bank and the municipality's liquidity position has a bearing on how much is invested.

9. The difference is trivial. The dividends were not included in the budget.

10. The number of households that the municipality intended to subsidise for indigent services were low as many households did not register for the service.

11. Actuals are inclusive of OPEX and CAPEX. Update the budget figure to include CAPEX budget as well.

12. This was budgeted under other income.

13. The issuing and collecting of fines are out of the municipality's control.

14. Budget estimates for items such as overtime, standby, nightwork, etc, will always differ to the actuals as they are incurred on an ad-hoc basis.

15. Upper-limits on the remuneration of councillors were gazetted by the minister within the financial year and implementation thereof was approved.

16. Two projects were completed and transferred from the WIP to the register.

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

17. A municipal building was torched.

18. Liquidity constraints resulted in late payments of accounts and charges were subsequently added.

19. A new lease agreement was entered into during the financial year.

20. Provision for debt impairment was not included in the budget.

21. Repairs & maintenance plan was not developed & therefore could not be implemented.

22. Consumption based on demand, which is not within the control of the municipality. Also, measures to curb losses were not efficiently implemented.

23. Reliance on system consultants has been greatly reduced. The bulk of the work is delegated to the in-house officials.

24. Cost cutting measures, such as the stopping of indigent burial subsidies, were implemented.

25. The bulk of this is due to infrastructure assets that were lost during the financial year.

26. The budget estimate is beyond management's expertise as the actual is based on expert calculations. The municipality budgeted R905 610 for actuarial gains, it is included in the other income budget.

27. Procurement of water & electricity material was anticipated during the financial year, however, only the water material procurement materialised.

28. This was due to new lease agreements that were concluded in the financial year.

29. The number of households that the municipality intended to subsidise for indigent services were low as many households did not register for the service. Therefore this pushed the debt up.

30. VAT receivable was expected to net off the PAYE owing to SARS.

31. The long outstanding capital debt was expected to increase due to interest charges.

32. The budget figure was based on an estimate increase in consumer payment levels and increase in investments.

33. Due to material omissions that were identified during the verification.

34. Due to material omissions that were identified during the verification.

35. Migration to the new MSCOA system was expected, however, this is still a project in progress.

36. Estimate carrying value was erroneously omitted during the budgeting process.

37. Estimate carrying value was erroneously omitted during the budgeting process.

38. Loan repayable to the Development Bank of South Africa. The split between current and non-current was not made in the budget.

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

39. A new lease agreement was entered into during the financial year.

40. Liquidity constraints resulted in late payments of accounts and charges were subsequently added. Payment to service providers was also affected.

41. An increase was expected due to a possible new town establishment.

42. The actuals are based on expert calculations. This field is beyond management's level of expertise to estimate accurately for budget purposes.

43. The local library continues to be closed due to structural damages, therefore library activites have been suspended, hence there is still unspent funds from the library grant. The provincial treasury grant will rollover and finance activities in the following year, as the appointed service providers were settled in full.

44. The actuals are based on expert calculations. This field is beyond management's level of expertise to estimate accurately for budget purposes.

45. Loan repayable to the Development Bank of South Africa. The split between current and non-current was not made in the budget.

46. A new lease agreement was entered into during the financial year.

47. The actuals are based on expert calculations. This field is beyond management's level of expertise to estimate accurately for budget purposes.

48. The actuals are based on expert calculations. This field is beyond management's level of expertise to estimate accurately for budget purposes.

The accounting policies on pages 18 to 41 and the notes on pages 42 to 80 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Fair value estimation

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

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

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

Accounting Policies

1.3 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 RUL (remaining useful life) assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible 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. In addition, goodwill is tested on an annual basis for impairment. 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 change/update in technology, supply demand, together with economic factors such as exchange rates inflation interest.

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 19 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 9.

Allowance for doubtful debts

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

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property, plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

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

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

Accounting Policies

1.4 Investment property (continued)

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

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

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

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

Costs is the amount of cash or cash equivalent or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 years

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.t

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

Major 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.

Subsequent measurement:

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

Depreciation and impairment:

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

Property, plant and equipment is not depreciated as it has an indefinate useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	25 years
Landfill sites	Straight line	9-19 years
Other assets	Straight line	1-15 years
Community assets - Buildings	Straight line	25 years
Infrastructure	Straight line	5-80 years

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

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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

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

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

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

Derecognition:

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

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

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

Commitments:

Accounting Policies

1.5 Property, plant and equipment (continued)

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 43.The commitments as disclosed are the contractual amount less aby payment made in respect of the contract.

1.6 Intangible assets

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

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

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

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

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

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

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

Subsequent measurement:

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Accounting Policies

1.6 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software	Straight line	1-5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

Accounting Policies

1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

Financial assets measured at cost:

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The entity recognise the expected cost of bonus, incentive and performance related payments when the 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 entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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 entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- 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, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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.

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.

1.13 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.

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.13 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

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

Accounting Policies

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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.

1.24 Related parties

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

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

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

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

Accounting Policies

1.25 Events after reporting date (continued)

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

1.26 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a monthly basis.

1.27 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and 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 debited/credited against accumulated surplus when retrospective adjustments are made.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

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.

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

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources 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; 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 a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

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

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

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

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2019 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.

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:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- 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 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 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 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019 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 2019.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

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

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

3. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	45 144 580	4 889 039	50 033 619	46 813 115	-	46 813 115

Reconciliation of investment property - 2018

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Total**
Investment property	46 813 115	4 889 039	(1 878 060)	209 525	50 033 619

Reconciliation of investment property - 2017

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Total**
Investment property	46 042 716	770 399	-	-	46 813 115

Pledged as security

No investment property has been pledged as security.

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	132 707	280 006

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	26 072 368	(16 321 901)	9 750 467	26 716 108	(15 643 236)	11 072 872
Infrastructure	806 191 120	(242 350 466)	563 840 654	782 388 697	(230 270 353)	552 118 344
Community	79 049 484	(44 745 519)	34 303 965	79 049 484	(38 866 812)	40 182 672
Other property, plant and equipment	20 296 661	(11 687 724)	8 608 937	19 939 316	(9 983 468)	9 955 848
Leased assets	65 000	(11 664)	53 336	-	-	-
Landfill sites	17 993 867	(14 074 997)	3 918 870	15 918 152	(11 966 481)	3 951 671
Total	**949 668 500**	**(329 192 271)**	**620 476 229**	**924 011 757**	**(306 730 350)**	**617 281 407**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	11 072 872	212 100	(421 885)	(752 075)	(360 545)	-	9 750 467
Infrastructure	552 118 344	29 797 927	(4 079 427)	(13 992 188)	(4 002)	-	563 840 654
Community	40 182 672	-	-	(1 964 080)	(3 914 627)	-	34 303 965
Other property, plant and equipment	9 955 848	583 731	(19 965)	(1 900 195)	(10 482)	-	8 608 937
Leased assets	-	65 000	-	(11 664)	-	-	53 336
Landfill sites	3 951 671	-	-	(32 801)	-	-	3 918 870
	617 281 407	**30 658 758**	**(4 521 277)**	**(18 653 003)**	**(4 289 656)**	**-**	**620 476 229**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	11 724 577	19 346	-	(671 051)	-	-	11 072 872
Infrastructure	524 251 164	47 718 066	(2 259 889)	(13 976 664)	(3 614 333)	-	552 118 344
Community	42 039 258	182 042	-	(1 953 644)	(84 984)	-	40 182 672
Other property, plant and equipment	8 474 565	3 655 480	(88 766)	(2 081 788)	(3 643)	-	9 955 848
Landfill sites	4 104 821	1 043 795	-	(15 526)	(1 194 473)	13 054	3 951 671
	590 594 385	**52 618 729**	**(2 348 655)**	**(18 698 673)**	**(4 897 433)**	**13 054**	**617 281 407**

Pledged as security

No property plant and equipment has been pledged as security.

Assets subject to finance lease (Net carrying amount)

Leased assets	53 336	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Investment Property	Total
Opening balance	66 715 200	-	66 715 200
Additions/capital expenditure	30 007 453	4 889 039	34 896 492
Transferred to completed items	(20 062 931)	-	(20 062 931)
	76 659 722	**4 889 039**	**81 548 761**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Investment Property	Total
Opening balance	29 137 888	-	29 137 888
Additions/capital expenditure	47 718 066	-	47 718 066
Transferred to completed items	(10 140 754)	-	(10 140 754)
	66 715 200	**-**	**66 715 200**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in general expenses in the Statement of Financial Performance		
Buildings	184 361	69 625
Other property, plant and equipment	1 571 388	1 674 362
Infrastructure	749 814	5 464 410
	2 505 563	**7 208 397**

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.

5. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	270 900	(235 106)	35 794	318 846	(260 782)	58 064

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	58 064	4 701	(4 991)	(21 980)	35 794

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	22 240	51 765	(7 570)	(8 371)	58 064

Pledged as security

No intangible assets have been pledged as security.

6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	12 183 752	-	12 183 752	12 183 752	-	12 183 752

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	12 183 752	12 183 752

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	12 183 752	12 183 752

Pledged as security

No heritage assets have been pledged as security.

7. Other financial assets

Residual interest at cost		
Unlisted shares	9 509	9 509
4 528 ordinary shares held in Suidwes Beleggings (Pty) Ltd		
Non-current assets		
Residual interest at cost	9 509	9 509

Financial assets pledged as collateral

No financial assets have been pledged as security

8. Operating lease asset (accrual)

Current assets	27 005	22 582

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Operating lease asset (accrual) (continued)

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the repoting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

9. Employee benefit obligation

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(941 000)	(1 742 000)
Present value of the defined benefit obligation-partly or wholly funded	(3 332 000)	(3 065 000)
	(4 273 000)	**(4 807 000)**
Non-current liabilities	(3 869 000)	(4 312 000)
Current liabilities	(404 000)	(495 000)
	(4 273 000)	**(4 807 000)**

Net expense recognised in the statement of financial performance

Current service cost	352 000	265 894
Past service cost	(244 464)	(408 000)
Interest cost	479 000	358 008
Actuarial (gains) losses	(1 120 536)	496 840
	(534 000)	**712 742**

Key assumptions used

Assumptions used at the reporting date:

We used the nominal and real zero curves as at 30 June 2018 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.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

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 aggregate of the service cost and interest cost	1 670	(1 670)
Effect on defined benefit obligation	9 410	(9 410)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Inventories

Consumable stores	1 492 406	1 297 432
Water	53 818	253 016
	1 546 224	**1 550 448**

Consumable stores inventories recognised as an expense during the year	2 146 960	1 562 390
Water inventory recognised as an expense during the year	6 832 115	2 386 991

All inventories are accounted for at cost as the net realisable value at yearend (in the current and prior year) was higher than the cost.

No inventories were written down during the 2017 and 2018 financial years.

Inventory pledged as security

No inventory was pledged as security.

11. Receivables from non-exchange transactions

Fines	2 900	19 530
Sundry Debtors	5 149 554	5 855 194
Consumer debtors - Rates	15 807 736	14 780 410
	20 960 190	**20 655 134**

12. VAT receivable

VAT	38 384 938	33 062 808

13. Consumer debtors from exchange transactions

Gross balances		
Electricity	26 774 267	36 474 956
Water	140 426 837	117 005 802
Sewerage	25 150 806	20 832 294
Refuse	72 122 520	58 455 812
Sundry	43 149 717	37 350 149
	307 624 147	**270 119 013**

Less: Allowance for impairment		
Electricity	(22 384 296)	(23 472 135)
Water	(121 692 238)	(99 844 699)
Sewerage	(16 571 752)	(13 495 703)
Refuse	(60 399 758)	(48 348 821)
Sundry	(33 125 380)	(31 198 789)
	(254 173 424)	**(216 360 147)**

Net balance		
Electricity	4 389 971	13 002 821
Water	18 734 599	17 161 103
Sewerage	8 579 054	7 336 591
Refuse	11 722 762	10 106 991
Sundry	10 024 337	6 151 360
	53 450 723	**53 758 866**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Consumer debtors from exchange transactions (continued)

Electricity		
Current (0 -30 days)	3 106 018	1 723 797
31 - 60 days	899 018	1 473 238
61 - 90 days	623 344	1 293 462
> 90 days	22 145 887	31 984 458
Less: Impairment	(22 384 296)	(23 472 134)
	4 389 971	**13 002 821**
Water		
Current (0 -30 days)	3 572 697	2 043 159
31 - 60 days	2 393 160	2 025 208
61 - 90 days	2 280 683	2 165 959
> 90 days	132 180 297	110 771 476
Less: Impairment	(121 692 238)	(99 844 699)
	18 734 599	**17 161 103**
Sewerage		
Current (0 -30 days)	946 907	396 115
31 - 60 days	419 940	380 972
61 - 90 days	409 573	381 480
> 90 days	23 374 386	19 673 726
Less: Impairment	(16 571 752)	(13 495 702)
	8 579 054	**7 336 591**
Refuse		
Current (0 -30 days)	1 700 632	1 112 283
31 - 60 days	1 332 793	1 077 281
61 - 90 days	1 353 475	1 064 331
> 90 days	67 735 620	55 201 917
Less: Impairment	(60 399 758)	(48 348 821)
	11 722 762	**10 106 991**
Sundry		
Current (0 -30 days)	46 010	174 565
31 - 60 days	328 606	173 403
61 - 90 days	244 269	173 465
> 90 days	42 530 732	36 828 716
Less: Impairment	(33 125 280)	(31 198 789)
	10 024 337	**6 151 360**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(216 361 060)	(176 923 025)
Contributions to allowance	(37 812 364)	(39 437 122)
	(254 173 424)	**(216 360 147)**

14. Consumer debtors from non-exchange transactions

Gross balances		
Consumer debtors - Rates	50 884 727	41 386 279
	50 884 727	**41 386 279**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Consumer debtors from non-exchange transactions (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(35 076 991)	(26 605 869)
	(35 076 991)	**(26 605 869)**
Net balance		
Consumer debtors - Rates	15 807 736	14 780 410
Rates		
Current (0 -30 days)	753 449	886 076
31 - 60 days	992 307	821 172
61 - 90 days	973 078	804 424
> 90 days	48 165 893	38 874 606
Less: Impairment	(35 076 991)	(26 605 868)
	15 807 736	**14 780 410**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(26 605 868)	(19 499 350)
Contributions to allowance	(8 471 123)	(7 106 518)
	(35 076 991)	**(26 605 868)**

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	791 665	538 276
Short-term deposits	276 044	1 459 024
	1 067 709	**1 997 300**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for ESKOM accounts	108 840	108 840

The FNB Money Markert Account, forming part of the short-term deposit total above has been pledged as collateral.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
First National Bank - Current Account	752 769	557 373	66 839	791 665	538 276	66 839
First National Bank - Call Account (62256156318)	90 672	565	-	90 672	565	-
First National Bank - Call Account (62279967643)	109 604	114 920	125 513	109 604	114 920	125 513
First National Bank - Call Account (62287817393)	312	100	29 205	312	100	29 205
First National Bank - Call Account (62345563911)	55 106	1 311 484	234 851	55 106	1 321 557	234 851
First National Bank - Call Account (62046158433)	89	1 273	27 604	89	1 273	27 604
First National Bank - Call Account (71045321107)	3 978	3 871	3 735	3 978	3 871	3 735
Standard Bank - Fixed Deposit Account (146018273)	16 281	16 742	17 172	16 281	16 742	17 172
Total	**1 028 811**	**2 006 328**	**504 919**	**1 067 707**	**1 997 304**	**504 919**

16. Finance lease obligation

Minimum lease payments due		
- within one year	28 692	-
- in second to fifth year inclusive	38 256	-
	66 948	-
less: future finance charges	(7 457)	-
Present value of minimum lease payments	**59 491**	**-**
Present value of minimum lease payments due		
- within one year	23 815	-
- in second to fifth year inclusive	35 676	-
	59 491	**-**
Non-current liabilities	35 676	-
Current liabilities	23 815	-
	59 491	**-**

It is municipality policy to lease certain equipment under finance leases.

The lease term was 36 years and the average effective borrowing rate was 10% (2017: -%).

The interest rate is linked to prime at the contract date. The lease escalates at 10% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 4.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Provincial Treasury Grant	279 035	338 388
Municipal Infrastructure Grant	-	8 062
Intergrated National Electrification Programme	-	2 920
Library Grant	124 023	-
	403 058	**349 370**

Movement during the year

Balance at the beginning of the year	349 370	445 345
Additions during the year	107 423 587	118 918 323
Income recognition during the year	(107 369 899)	(119 014 298)
	403 058	**349 370**

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

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

18. Other financial liabilities

At amortised cost		
Long-term loan The long-term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly.	1 274 858	1 366 361
Non-current liabilities		
At amortised cost	1 149 264	1 260 526
Current liabilities		
At amortised cost	125 594	105 835

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

19. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Unwinding of discount costs	Total
Environmental rehabilitation	12 524 740	2 075 715	770 185	15 370 640

Reconciliation of provisions - 2017

	Opening Balance	Additions	Unwinding of discount costs	Total
Environmental rehabilitation	11 688 011	77 008	759 721	12 524 740

The municipality has landfill sites in Koopmansfontein, Delportshoop, Longlands, Barkly Wes and Windsorton. The provision per site is as follows:

Sites		
Koopmansfontein	750 387	643 673
Delportshoop	4 162 107	3 321 463
Longlands	1 552 210	1 284 180
Barkly Wes	5 424 526	4 387 225
Windsorton	3 481 411	2 888 200
	15 370 641	**12 524 741**

Environmental rehabilitation provision

The provision relates to the municipality's obligation to rehabilitate landfill sites upon depletion of the useful lives.

The average remaining useful life is 12 years.

The calculation of the estimated rehabilitation costs was performed by a professional engineer.

20. Payables from exchange transactions

Trade payables	100 315 705	85 151 444
Sundry creditors	1 385 405	1 333 380
Salary control	10 221 595	1 775 164
Accrued leave pay	4 937 668	4 187 571
Accrued bonus	1 526 684	1 439 118
Cash suspense accounts	3 596 374	3 160 676
Department of Transport Safety and Liaison	12 976 188	11 698 745
Payments received in advance	4 246 947	3 045 872
	139 206 566	**111 791 970**

21. Consumer deposits

Electricity	555 779	535 497

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Revenue

Service charges	37 617 785	51 493 942
Interest received (trading)	29 223 157	24 283 535
Licences and permits	87 348	833 887
Commissions received	117 557	103 040
Rental income	132 707	280 006
Other income	618 707	449 280
Interest received - investment	429 918	577 162
Dividends received	724	500
Property rates	10 120 085	7 343 449
Government grants & subsidies	107 356 674	119 014 298
Public contributions and donations	6 266 306	1 583 190
Fines, Penalties and Forfeits	24 934	29 480
	191 995 902	**205 991 769**

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

Service charges	37 617 785	51 493 942
Interest received (trading)	29 223 157	24 283 535
Licences and permits	87 348	833 887
Commissions received	117 557	103 040
Rental income	132 707	280 006
Other income	618 707	449 280
Interest received - investment	429 918	577 162
Dividends received	724	500
	68 227 903	**78 021 352**

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

Taxation revenue		
Property rates	10 120 085	7 343 449
Transfer revenue		
Government grants & subsidies	107 356 674	119 014 298
Public contributions and donations	6 266 306	1 583 190
Fines, Penalties and Forfeits	24 934	29 480
	123 767 999	**127 970 417**

23. Service charges

Sale of electricity	11 618 159	28 610 364
Sale of water	14 790 337	13 691 494
Sewerage and sanitation charges	2 581 609	2 638 197
Refuse removal	8 670 189	6 787 828
Revenue Forgone	(42 509)	(233 941)
	37 617 785	**51 493 942**

24. Other revenue

Commissions received	117 557	103 040
Rental income - third party	132 707	280 006
Other income	618 707	449 280
	868 971	**832 326**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Other income

Building plans	59 647	68 229
Clearance certificate	14 246	11 245
Sundry income	419 384	353 068
Re-connection fees	125 430	16 738
	618 707	**449 280**

26. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	724	500
Interest revenue		
Bank	429 918	577 162
	430 642	**577 662**

27. Property rates

Rates received

Residential	5 492 449	3 784 813
Commercial	3 593 845	3 260 305
State	1 033 791	298 331
	10 120 085	**7 343 449**

Valuations

Residential	565 042 500	565 042 500
Commercial	91 900 000	91 900 000
State	31 103 000	31 103 000
Municipal	18 055 503	18 055 503
Small holdings and farms	574 892 000	574 892 000
	1 280 993 003	**1 280 993 003**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2018.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Government grants and subsidies

Operating grants		
Equitable share	66 981 982	60 379 000
Local Government Financial Management Grant (FMG)	2 345 000	2 010 000
Expanded Public Works Programme (EPWP)	1 000 000	1 000 000
Local Government SETA	78 114	38 000
Frances Baard District Municipality	923 299	916 813
Provincial Treasury - Asset Management	2 532 084	1 605 612
Library Grant	665 977	-
	74 526 456	**65 949 425**
Capital grants		
Municipal Infrastructure Grant (MIG)	19 800 000	18 479 283
Intergrated National Electrification Programme (INEP)	3 000 000	1 597 080
Department of Water Affairs (Infrastructure)	10 030 218	16 279 658
Frances Baard District Municipality - Contributed PPE	-	10 714 236
Department of Water Affairs - Contributed PPE	-	5 994 616
	32 830 218	**53 064 873**
	107 356 674	**119 014 298**

Equitable Share

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

Equitable Share

Current-year receipts	66 982 000	59 934 000
Conditions met - transferred to revenue	(66 982 000)	(60 379 000)
Transfer from Municipal Infrastructure Grant (MIG)	-	445 000
	-	-

Local Government Financial Management Grant (FMG)

Current-year receipts	2 345 000	2 010 000
Conditions met - transferred to revenue	(2 345 000)	(2 010 000)
	-	-

Expanded Public Works Programme

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

Local Government SETA

Current-year receipts	78 114	38 000
Conditions met - transferred to revenue	(78 114)	(38 000)
	-	-

Frances Baard District Municipality

Current-year receipts	936 524	916 808
Conditions met - transferred to revenue	(936 524)	(916 808)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Government grants and subsidies (continued)

	-	-

Provincial Treasury - Asset Management

Balance unspent at beginning of year	338 388	-
Current-year receipts	2 472 731	1 944 000
Conditions met - transferred to revenue	(2 532 084)	(1 605 612)
	279 035	**338 388**

Conditions still to be met - remain liabilities (see note 17).

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	8 062	445 345
Current-year receipts	19 800 000	18 487 000
Conditions met - transferred to revenue	(19 808 062)	(18 479 283)
Transfer to Equitable Share	-	(445 000)
	-	**8 062**

Conditions still to be met - remain liabilities (see note 17).

Intergrated National Electrification Programme (INEP)

Balance unspent at beginning of year	2 920	-
Current-year receipts	3 000 000	1 600 000
Conditions met - transferred to revenue	(3 002 920)	(1 597 080)
	-	**2 920**

Conditions still to be met - remain liabilities (see note 17).

Department of Water Affairs (Infrastructure)

Current-year receipts	-	16 279 658
Conditions met - transferred to revenue	-	(16 279 658)
	-	**-**

Frances Baard District Municipality - Contributed PPE

Current-year receipts	2 345 000	10 714 236
Conditions met - transferred to revenue	(2 345 000)	(10 714 236)
	-	**-**

Library Grant

Current-year receipts	790 000	-
Conditions met - transferred to revenue	(665 977)	-
	124 023	**-**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Public contributions and donations

Donations received	6 266 306	1 583 190

30. Employee related costs

Basic	39 534 865	35 753 443
Bonus	2 611 314	2 358 866
Medical aid - company contributions	3 473 165	3 239 172
UIF	339 165	329 008
SDL	452 158	387 417
Contributions to industrial council	20 494	18 701
Contributions to pension	5 622 519	5 073 390
Travel, motor car, accommodation, subsistence and other allowances	1 096 627	878 573
Overtime payments	2 989 867	2 334 931
Long-service awards	131 468	265 894
Acting allowances	339 331	395 287
Housing benefits and allowances	97 578	120 008
Ward Committee	459 000	538 000
Standby allowance	601 875	557 300
	57 769 426	**52 249 990**

Remuneration of the Senior Managers

Remuneration of the Municipal Manager - Modise, AK		
Annual Remuneration	194 901	-
Contributions to UIF, Medical and Pension Funds	314	-
	195 215	**-**

The Municipal Manager was appointed 01 May 2018.

Remuneration of the Acting Municipal Manager - Tsinyane, BH		
Acting Allowance	47 948	-

Remuneration of the Chief Financial Officer - Itumeleng, LS		
Annual Remuneration	810 143	75 554
Car Allowance	150 000	-
Contributions to UIF, Medical and Pension Funds	1 884	156
	962 027	**75 710**

The Chief Financial Officer was appointed 01 June 2017.

Remuneration of the Corporate Services Director - Tsinyane, BH		
Annual Remuneration	894 101	840 609
Car Allowance	66 042	70 319
Contributions to UIF, Medical and Pension Funds	1 884	16 811
	962 027	**927 739**

Remuneration of the Technical Services Director - Nthoba, PA		
Annual Remuneration	904 171	-
Contributions to UIF, Medical and Pension Funds	1 884	-
	906 055	**-**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. Remuneration of councillors

Councillors' remuneration	3 831 871	3 757 378
	3 831 871	**3 757 378**

Remuneration of the Mayor - Mbizeni, DD		
Annual Remuneration	755 173	630 745
Contributions to UIF, Medical and Pension Funds	106 103	185 394
	861 276	**816 139**

Mayoral Commitee Members		
Annual Remuneration	1 320 425	821 097
Contributions to UIF, Medical and Pension Funds	139 108	250 485
	1 459 533	**1 071 582**

Councillors		
Annual Remuneration	2 125 074	1 726 422
Car Allowance	-	6 821
Contributions to UIF, Medical and Pension Funds	304 546	244 964
	2 429 620	**1 978 207**

In-kind benefits

The Executive Mayor is fulll-time and is provided with an office and secretarial support at the cost of the Council.

32. Depreciation and amortisation

Property, plant and equipment	18 608 540	18 580 232
Intangible assets	21 980	142 007
	18 630 520	**18 722 239**

33. Impairment of assets

Impairments		
Property, plant and equipment	6 409 837	4 672 727
Intangible assets	-	3 192
	6 409 837	**4 675 919**
Reversal of impairments		
Property, plant and equipment	-	(14 148)
Total impairment losses (recognised) reversed	**6 409 837**	**4 661 771**

The main classes of assets affected by impairment losses are:

- Other property plant and equipment

- Intangible assets

- Landfill sites

The main classes of assets affected by reversals of impairment losses are:

- Landfill sites

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

34. Finance costs

Actuarial Interest	479 000	358 008
Trade and other payables	5 482 746	6 115 456
Finance lease Interest	4 519	-
Current borrowings	51 761	85 861
Landfill site	770 186	836 729
	6 788 212	**7 396 054**

35. Debt impairment

Debt impairment	46 302 230	46 543 641

36. Bulk purchases

Electricity	27 574 921	25 957 996
Water	6 674 391	6 446 088
	34 249 312	**32 404 084**

37. Consulting fees

Professional services	11 243 598	7 398 465

Consulting fees include services rendered by consultants specialising in asset management, financial services and municipal accounting & billing software.

38. General expenses

Advertising	137 638	228 226
Auditors remuneration	2 890 177	2 002 979
Bank charges	376 289	345 154
Cleaning	44 268	55 033
Commission paid	450 511	560 693
Bursaries	295 317	489 765
Insurance	1 812 232	1 531 244
Conferences and seminars	13 023	87 569
Fuel and oil	1 845 042	1 656 316
Postage and courier	193 038	298 397
Printing and stationery	628 782	243 170
Protective clothing	375 740	400 209
Repairs and maintenance	2 505 563	7 208 398
Security services	4 055 499	1 691 127
Bursaries	90 686	423 208
Subscriptions and membership fees	588 344	505 000
Telephone and fax	904 721	907 412
Training	443 588	502 122
Travel - local	1 115 137	3 610 534
Tourism development	-	33 414
Penalties	-	560 613
Water purification costs	461 567	1 177 717
Other expenses	625 033	788 923
	19 852 195	**25 307 223**

39. Auditors' remuneration

Fees	2 890 177	2 002 979

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Lease rentals

Equipment	832 754	268 880

The municipality makes use of ad-hoc equipment rentals from different suppliers.

There are no contractual agreements and ownership of the equipment will not pass to the municipality at any stage of the rental.

41. Cash generated from operations

(Deficit) surplus	(18 985 746)	4 487 965
Adjustments for:		
Depreciation and amortisation	18 630 520	18 722 239
Gain on sale of assets and liabilities	6 192 229	2 417 105
Finance costs - Finance leases	4 519	-
Impairment deficit	6 409 837	4 661 771
Debt impairment	46 302 230	46 543 641
Movements in operating lease assets and accruals	(4 423)	(9 721)
Movements in retirement benefit assets and liabilities	(534 000)	2 370 287
Movements in provisions	5 676 120	836 729
Provisions - non-cash	(2 830 220)	-
Changes in working capital:		
Inventories	4 224	(1 412 244)
Consumer debtors	(45 994 087)	(58 804 317)
Other receivables from non-exchange transactions	(305 056)	(1 627 332)
Payables from exchange transactions	27 414 582	32 032 789
VAT	(5 322 130)	4 992 919
Unspent conditional grants and receipts	53 688	(95 975)
Consumer deposits	20 282	20 864
	36 732 569	**55 136 720**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	20 960 190	20 960 190
Consumer receivables from exchange transactions	53 450 723	53 450 723
Other financial assets	9 509	9 509
Cash and cash equivalents	1 067 709	1 067 709
Operating lease asset	27 005	27 005
VAT receivable	38 581 465	38 581 465
	114 096 601	**114 096 601**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	59 491	59 491
Other financial liabilities	1 274 858	1 274 858
Trade and other payables from exchange transactions	138 981 761	138 981 761
Consumer deposits	555 779	555 779
Employee benefit obligation	4 391 000	4 391 000
Provisions	15 370 640	15 370 640
Unspent conditional grants	403 058	403 058
	161 036 587	**161 036 587**

2017

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	20 655 134	20 655 134
Consumer receivables from exchange transactions	53 758 866	53 758 866
Other financial assets	9 509	9 509
Cash and cash equivalents	1 997 300	1 997 300
Operating lease asset	22 582	22 582
VAT receivable	33 062 808	33 062 808
	109 506 199	**109 506 199**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 366 361	1 366 361
Trade and other payables from exchange transactions	111 791 970	111 791 970
Consumer deposits	535 497	535 497
Employee benefit obligation	4 807 000	4 807 000
Provisions	12 524 740	12 524 740
Unspent conditional grants	349 370	349 370
	131 374 938	**131 374 938**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	60 600 839	37 448 337
Total capital commitments		
Already contracted for but not provided for	60 600 839	37 448 337

Total commitments

Total commitments		
Authorised capital expenditure	60 600 839	37 448 337

This committed expenditure relates to plant and equipment and will be financed by the municipal infrastructure grant and funding allocations from the district municipality.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	468 472	83 824
- in second to fifth year inclusive	588 539	267 397
- later than five years	47 220	84 413
	1 104 231	**435 634**

Lease agreements are non-cancellable and have terms from 3 to 10 years. There are no contingent rents receivable.

44. Contingencies

Contingent liabilities

Matter 1

Matter name
CM De Bruyn / Dikgatlong Municipality

44. Contingencies (continued)

Description
Ms De Bruyn obtained an interim interdict against Dikgatlong Municipality for the reconnection of her electricity. We consulted with advocate and our instructions are to proceed with legal action.

Status
The parties are attempting to find amicable solution outside of court on this matter. CM De Bruyn's engineer is considering the results of the voltage test.

Matter 2

Matter name
Dikgatlong Municipality / Marange Plant & Mining CC

Description
This was an application to review the Municipality's decision to award a tender to JTI CIVILS CC for roads and storm water drainage in Stillwater. This matter was heard in the Northern Cape High Court and an order against the Municipality and JTI Civils was granted.

Status
The court ordered that the tender should not be granted to any entity and that this tender should go back to the bid adjudication committee of the Municipality for reconsideration. The bid committee decided that no one should be elected but the Municipality is considering the reissuing of the tender.

Amount
R 200 000

Matter 3

Matter name
Dikgatlong Municipality / Barkly-Wes Slaghuis BK

Description
The Municipality intended to disconnect Spar's services thus Spar brought an application to interdict the Municipality. This matter was finalised on condition that Spar pays its monthly accounts, the Municipality does not disconnect Spar's services and the Municipality pays Spar's legal costs.

Status
This matter was removed from the court roll. Engineer's report sent to Spar's attorneys. Awaiting upon their response. Expecting an account from Spar's attorneys which has not been received to date. The parties are going to arbitration on this matter.

Amount
R 150 000

Matter 4

Matter name
Dikgatlong Municipality / Skillful 1149 CC

Description
Skillful brought a breach of contract and damages summons against the Municipality and the third party. The Municipality defended this action and the matter has been declared trial ready but Skillful does not appear to want to finalise this matter.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

44. Contingencies (continued)

Status
The parties are attempting to find amicable solution outside of court on this matter.

Amount
R 7 661 329

Matter 5

Matter name
Dikgatlong Municipality / Minister of Water and Sanitation

Description
Summons were issued against the Municipality for failure to pay water charges as mandated by law. The summons was defended by the Municipality. The Department of Water and Sanitation also served the Municipality with a notice of intention to suspend water supply.

Status
The court process regarding the summons is ongoing and the Department of Water and Sanitation agreed to not suspend the supply of water.

Amount
R 40 390 949

Matter 6

Matter name
Dikgatlong Municipality / Katrina Afrika

Description
The Municipality is being sued for bodily injuries suffered by K Afrika. She is said to have tripped and fell over wires that were anchored in the ground on a pavement that is said to be maintained and controlled by the Municipality. The Municipality is defending this matter.

Status
On 14 December 2017 the Municipality was informed that K Afrika had passed away. This matter is on the pre-trial stage and trial readiness certificate has not been issued.

Amount
R 560 000

Matter 7

Matter name
N/A

Description
The Municipality is operating a waste disposal site without a valid waste management license as per National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) requirements. Section 67(1)(h) of the same Act states that the Municipality may be liable for a fine not exceeding R10m.

Status
N/A

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

44. Contingencies (continued)

Amount
N/A

Contingent assets

Matter 1

Matter name
Dikgatlong Municipality / Estate late: JJ Maree

Description
Mr Maree used to work for the Dikgationg Municipality and it is alleged that he defrauded the Municipality. His estate has been wound up and his heir wants to finalise the issue of the two erven in this estate that the Municipality has an interest in.

Status
Awaiting a response from the Master's office in Free State. Erf 2006 is still in JJ Maree's name.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

45. Related parties

Members of key management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related party balances

Services charges and property rates		
Councillor Mbizeni, DD	-	-
Councillor Mafofololo, AJ	1 894	-
Councillor Bezuidenhout, ME	483	20 535
Councillor Macinga, DM	5 357	-
Councillor Kleinjan, ME	7 088	4 082
Councillor Combrink, PS	35 267	28 442
Councillor Motshabi, KE	8 800	31 413
Councillor Mahutie, MA	27 915	28 505
Councillor Masinga, DM	-	3 966
Councillor Saul, T	35 623	29 868
Councillor Makoko, E	69 185	59 887
Councillor Papers, DP	10 741	54 214
Councillor Chupologo, MP	-	25 704
Councillor Konote, MK	33 711	24 914
Municipal Manager - Modise, AK	-	-
Chief Financial Officer - Itumeleng, LS	-	-
Corporate Services Director - Tsinyane, BH	-	-
Technical Services Director - Nthoba, PA	-	-

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Related party transactions

Services charges and property rates		
Councillor Mbizeni, DD	1 062	832
Councillor Mafofololo, AJ	15 474	-
Councillor Bezuidenhout, ME	6 164	370
Councillor Macinga, DM	6 378	1 183
Councillor Kleinjan, ME	3 328	2 490
Councillor Combrink, PS	6 823	-
Councillor Motshabi, KE	16 311	-
Councillor Mahutie, MA	6 908	-
Councillor Saul, T	5 754	-
Councillor Makoko, E	9 298	-
Councillor Papers, DP	23 658	-
Councillor Chupologo, MP	1 479	5 133
Councillor Konote, MK	8 796	-
Municipal Manager - Modise, AK	-	-
Chief Financial Officer - Itumeleng, LS	-	-
Corporate Services Director - Tsinyane, BH	-	-
Technical Services Director - Nthoba, PA	-	-

Remuneration of management

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

Mayoral committee members

Refer to note 31 for detail on the remuneration of councillors and the mayoral committee.

Executive management

Refer to note 30 for detail on the remuneration of executive management.

46. Prior period errors

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors:

Figures in Rand	2018	2017

46. Prior period errors (continued)

During the period under review an incorrect split between current and non-current e*mployee benefit obligations* was noted. This correction resulted in a decrease in the current liabilities (R 6 000) and an increase in the non-current liabilities (R 6 000).

Employee benefit obligations had previously incorrectly included in-service employees. The liability was retrospectively adjusted to only include specific retired employees. The correction resulted in the following adjustments:

- debit/decrease *employee benefit obligations* (current)	R 1 991 000
- debit/decrease *employee benefit obligations* (non-current)	R 9 641 000
- debit/decrease *actuarial gain*	R 2 935 520
- credit/decrease *finance costs*	(R 1 127 372)
- credit/decrease *employee related costs*	(R 1 166 792)
- credit/increase *accumulated surplus*	(R 12 273 356)

Prior period corrections to the *provisions* items resulted in the following restatement:

- debit/decrease *provisions*	R 15 698 096
- credit/increase *accumulted surplus*	(R 15 698 096)

In addressing prior period audit findings the municipality appointed asset consultants to review and update all asset registers. This resulted in the following restatements to *property, plant and equipment*:

- debit/increase *property, plant and equipment*	R 87 927 888
- credit/increase *accumulted surplus*	(R 87 927 888)

The review and updating of the investment property register resulted in prior period corrections to *investment property*.

- debit/increase *investment property*	R 594 341
- credit/increase *accumulated surplus*	(R 594 341)

The review and updating of the intangible asset register resulted in prior period corrections to *intangible assets*.

- debit/increase *intangible assets*	R 9 083
- credit/increase *accumulated surplus*	(R 9 083)

Prior period corrections to *inventories* resulted in the following restatement:

- debit/increase *inventories*	R 963 694
- credit/decrease *general expense*	(R 926 243)
- credit/decrease *bulk purchases*	(R 37 271)

During the period under review all prior period *contracted services* (function) were reclassified to *consulting fees* (nature).

- debit/increase *consulting fees*	R 7 398 465
- credit/decrease *contracted services*	(R 7 398 465)

The review and updating of the asset registers resulted in prior period corrections to *property, plant and equipment*. This resulted in increases in *depreciation and amortisation* as well as *impairment losses*.

- debit/increase *depreciation and amortisation*	R 10 111 871
- debit/increase *impairment losses*	R 3 491 074
- credit/increase *accumulated surplus*	(R 13 602 945)

All the transactions recorded under *repairs and maintenance* were reclassified to *general expenses* where the nature of the transactions would be more accurately reflected.

- debit/increase *general expenses*	R 8 134 641
- credit/decrease *repairs and maintenance*	(R 8 134 641)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Prior period errors (continued)

Statement of financial position		
Inventories	-	963 694
Investment property	-	594 341
Property, plant and equipment	-	87 927 888
Intangible assets	-	9 083
Employee benefit obligation (current)	-	1 985 000
Employee benefit obligation (non-current)	-	9 647 000
Provisions	-	15 698 096
Opening Accumulated Surplus or Deficit	-	(116 824 921)
Statement of financial performance		
Employee related costs	-	(1 166 792)
Impairment loss / Reversal of impairments	-	(3 491 074)
Depreciation and amortisation	-	(10 111 871)
Consulting fees	-	7 398 465
Bulk purchases	-	(37 271)
Contracted services	-	(7 398 465)
General expenses	-	(926 243)
General expenses	-	8 134 641
Repairs and maintenance	-	(8 134 641)

47. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

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

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

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

Financial instrument	**2018**	**2017**
Receivables from non-exchange transactions	20 960 190	20 655 134
Consumer receivables from exchange transactions	53 450 723	53 758 866
Cash and cash equivalents	1 067 709	1 997 300

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.00 %	74 410 913	-	-	-	-
Cash in current banking institutions	- %	1 067 709	-	-	-	-
Trade and other payables	- %	139 206 554	-	-	-	-
Other financial liabilities (DBSA)	5.00 %	125 564	116 791	122 917	129 206	780 348
Finance lease obligation	10.00 %	23 815	35 676	-	-	-

48. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had a deficit for the year amounting to R 18 985 746 and that the municipality's current liabilities exceed its current assets by R 25 282 023.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The municipality's current financial health however indicates that a material uncertainty exists as the municipality may not be able to realise its assets and discharge its liabilities.

At 30 June 2018 the municipality's current ratio was 0.8 to 1.0. The current ratio is a liquidity ratio that measures an entity's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the total assets of an entity (both liquid and illiquid) relative to that entity's total liabilities. (Current Ratio = Current Assets / Current Liabilities).

Pending arrangements with significant payables should strengthen the current ratio.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 1 of 2015).

After careful consideration of the factors mentioned, management is of the opinion that the municipaltiy will be a going concern in the forseeable future based on the forecasts, available cash resources and approved government funding for the next financial year.

49. Events after the reporting date

The management is not aware of any material matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosures in the financial statements.

50. Unauthorised expenditure

Opening balance	277 999 158	225 878 683
Current year	48 800 851	52 120 475
	326 800 009	**277 999 158**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

51. Fruitless and wasteful expenditure

Opening balance	14 287 903	5 340 005
Current year	7 414 718	8 947 898
	21 702 621	**14 287 903**

Fruitless and wasteful expenditure current year relates to penalties levied and interest charged on long outstanding invoices.

52. Irregular expenditure

Opening balance	155 209 928	136 166 574
Add: Irregular Expenditure - current year	4 919 207	19 043 354
	160 129 135	**155 209 928**

Irregular expenditure is still under investigation by MPAC to determine the actual irregular expenditure amount.

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	506 975	1 006 975
Current year subscription / fee	500 000	506 975
Amount paid - previous years	(472 825)	(1 006 975)
	534 150	**506 975**

Material distribution losses

Water - distribution losses

Purchases (units)	982 252	1 095 109
Sales (units)	(1 025 602)	(1 033 465)
	(43 350)	**61 644**

Water
Distribution losses increased from 5.96% in 2017 to 0% in 2018.

Electricity - distribution losses

Purchases (units)	18 796 239	22 361 513
Sales (units)	(12 306 263)	(20 587 342)
	6 489 976	**1 774 171**

Electricity
Distribution losses decreased from 8.62% in 2017 to 34.53% in 2018.

Audit fees

Opening balance	3 533 549	1 223 791
Current year subscription / fee	2 890 177	2 544 877
Amount paid - current year	(3 533 549)	(225 260)
Amount paid - previous years	(2 459 834)	(9 859)
	430 343	**3 533 549**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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

PAYE and UIF

Opening balance	1 013 086	2 812 193
Current year subscription / fee	6 341 177	5 669 270
Amount paid - current year	4 734 302	(5 267 861)
Amount paid - previous years	(1 013 086)	(2 200 516)
	11 075 479	**1 013 086**

Pension and Medical Aid Deductions

Opening balance	741 816	899 395
Current year subscription / fee	13 375 464	8 406 308
Amount paid - current year	(11 585 280)	(7 664 492)
Amount paid - previous years	741 816	(899 395)
	3 273 816	**741 816**

VAT

VAT receivable	38 384 938	33 062 808

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Bezuidenhout, ME	476	7	483
Councillor Kleinjan, ME	885	6 426	7 311
Councillor Combrink, PS	1 939	33 328	35 267
Councillor Motshabi, KE	4 797	4 003	8 800
Councillor Mahutie, MA	1 753	26 162	27 915
Councillor Masinga, DM	1 168	24 374	25 542
Councillor Saul, T	1 240	-	1 240
Councillor Makoko, E	2 412	66 773	69 185
Councillor Papers, DP	7 772	2 969	10 741
	22 442	**164 042**	**186 484**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Bezuidenhout, ME	1 333	19 202	20 535
Councillor Kleinjan, ME	657	3 425	4 082
Councillor Combrink, PS	1 370	27 072	28 442
Councillor Motshabi, KE	1 858	29 555	31 413
Councillor Mahutie, MA	1 310	27 195	28 505
Councillor Masinga, DM	305	3 661	3 966
Councillor Saul, T	1 274	28 594	29 868
Councillor Chupologo, MP	1 389	24 315	25 704
Councillor Konote, MK	1 682	23 232	24 914
Councillor Makoko, E	2 083	57 804	59 887
Councillor Papers, DP	2 401	51 813	54 214
	15 662	**295 868**	**311 530**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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

Deviations from Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Social crime prevention	-	2 550 002
Insurance (excess payment)	3 000	-
Emergency pipeline repairs	1 270 965	123 611
Information technology upgrade	50 000	1 909 802
Upgrade of electricity services	18 810	771 068
Contract with travel agency	193 616	-
Strip-and-quote repairs	663 365	489 289
Supplier limitations (local, national, manufacturer)	1 409 998	-
Emergency purchases and repairs	307 334	-
Training centre	290 000	-
Other repairs	320 830	-
Other services	226 300	-
	4 754 218	**5 843 772**

Total annual incidents condoned	3 670 950	5 843 772

Non-compliance with Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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

- The municipality did not comply with section 65 (2) (e) that requires the municipality to pay their creditors within 30 days of receiveing relevant document.

- The municipality did not comply with section 9 regarding the opening of a bank account.

- The municipality did not comply with section 52 (d) relating to the mayor submitting quarterly reports to council in respect of the budget.

- The municipality did not comply with section 62 (1) (d) (e) on general financial management functions.

- The municipality did not comply with section 64 (1) (2) & (4) on revenue management.

- The municipality did not comply with section 62 (1) (d) relating to the investigation of unauthorised, irregular, fruitless & wastelful expenditure.

- The municipality did not comply with section 65 (2) (e) on expenditure management.

- The municipality did not comply with section 66 on staff benefit expenditure.

- The municipality did not comply with section 127 (2) on the timely tabling of the annual report to council.

- The municipality did not comply with section 127 (5) (a) relating to the timely publication of the tabled annual report and the relating invitation of comments from the local community.

- The municipality did not comply with section 127 (5) (b) relating to the timely submission to the tabled annual report to the Auditor-General SA.

- The municipality did not comply with section 126 (a) on the submission of the annual financial statements for audit on the 31st of August.

- The municipality did not comply with section 121 (1) on the timely approval of the annual report by council.

- The municipality did not comply with section 129 (1) on the timely adoption of the oversight report by council.

- The municipality did not comply with section 129 (2) (b) on the timely submission of the adopted oversight report to the Auditor-General SA.

54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	1 274 858	1 366 361

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

55. 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.

Buses and gym equipment 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.

Dikgatlong Local Municipality
Appendix A
June 2018

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Friday, 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Lease liability								
Finance lease	EAS08AA		-	74 100	14 609	59 491	-	-
			-	**74 100**	**14 609**	**59 491**	**-**	**-**
Annuity loans								
Development Bank of South Africa	61000546	2027	1 366 362	-	91 504	1 274 858	-	-
			1 366 362	**-**	**91 504**	**1 274 858**	**-**	**-**
Total external loans			**1 366 362**	**74 100**	**106 113**	**1 334 349**	**-**	**-**

Dikgatlong Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2018

Name of Grants	Quarterly Receipts				Quarterly Expenditure			
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Equitable share	27 910 000	22 316 000	16 745 000	-	27 910 000	22 316 000	16 745 000	-
Municipal Infrastructure Grant	10 876 000	5 572 000	3 352 000	-	10 876 000	5 572 000	3 352 000	-
Expanded Public Works Programme Grant	250 000	-	750 000	-	250 000	-	750 000	-
Finance Management Grant	2 345 000	-	-	-	2 345 000	-	-	-
Intergrated National Electrification Programme Grant	-	1 000 000	2 000 000	-	-	1 000 000	2 000 000	-
Regional Bulk Infrastructure Grant	5 989 934	4 040 284	-	-	5 989 934	4 040 284	-	-
Sports, Arts and Culture - Library Services	395 000	-	395 000	-	395 000	-	270 977	-
Provincial Treasury - Financial Support Grant	-	1 948 731	524 000	-	-	1 948 731	244 965	-
Local Government Sector Education and Training Authority	43 858	20 362	13 894	-	-	-	-	-
Frances Baard District Municipality	202 871	15 221	214 122	504 310	202 871	15 221	214 122	504 310
	48 012 663	34 912 598	23 994 016	504 310	47 968 805	34 892 236	23 577 064	504 310