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

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Provision of municipal services to communities within the JB Marks local jurisdiction
Mayoral committee	
Executive Mayor	Hon Cllr KM Khumalo
	Hon Cllr KEG Mogoeemang -Speaker
	Hon Cllr DM Matsapola - Chief Whip
Councillors	Cllr Maneli KM
	Cllr Modise DP
	Cllr Johnson KA
	Cllr Makoe ML
	Cllr Kgasane MP
	Cllr Makousa RA
	Cllr Mothopeng MS
	Cllr Louw EH
	Cllr Mkhabela LM
	Cllr P Molete
Grading of local authority	B2
Chief Finance Officer (CFO)	TE Moeketsane
Accounting Officer	M Jansen

General Information

Business address	35 Wolmarans Street Potchefstroom, 2531 South Africa
Postal address	P.O Box 113 Potchefstroom, 2520 South Africa
Auditors	Auditor General South Africa
Website	www.jbmarks.co.za

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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

The municipality main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution.

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 surplus of the municipality was R 47 915 896 (2017: deficit R 42 052 431).

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act N0. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

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

5. Accounting Officer

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

Name	Nationality	Changes
M Jansen	South African	
CP Henry (Acting)	South African	
NE Blaai-Mokgethi	South African	Resigned Wednesday, 28 February 2018

6. Corporate governance

General

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

Accounting Officer's Report

Audit and risk committee

The Audit Committee has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit Committee, consisting of independent outside members, has met at least four times per annum as per its approved terms of reference, although additional special meetings were held.

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

The AC is of the opinion that municipality's risk management appears to be ineffective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies.

7. Auditors

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

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	141 756 192	135 494 730
Receivables from non-exchange transactions	4	127 420 725	124 071 911
VAT receivable	6	17 587 701	37 721 777
Consumer debtors	5	304 360 350	204 701 791
Cash and cash equivalents	7	246 646 389	177 343 674
		837 771 357	**679 333 883**
Non-Current Assets			
Investment property	8	53 689 956	53 708 036
Property, plant and equipment	9	3 928 342 387	4 007 667 187
Intangible assets	10	9 313 701	9 313 701
Heritage assets	11	62 836 135	62 894 009
Other financial assets	12	52 255 221	47 893 448
		4 106 437 400	**4 181 476 381**
Non-Current Assets		4 106 437 400	4 181 476 381
Current Assets		837 771 357	679 333 883
Total Assets		**4 944 208 757**	**4 860 810 264**
Liabilities			
Current Liabilities			
Other financial liabilities		-	93 859
Finance lease obligation	13	3 216 640	2 737 756
Payables from exchange transactions	14	301 316 752	283 271 030
Payables from non-exchange transactions	15	14 830	14 830
Consumer deposits	16	21 939 160	20 320 087
Employee benefit obligation	17	13 211 212	11 628 237
Unspent conditional grants and receipts	18	30 527 078	31 790 562
Provisions	19	2 024 433	2 024 433
		372 250 105	**351 880 794**
Non-Current Liabilities			
Finance lease obligation	13	2 130 255	5 346 895
Employee benefit obligation	17	188 293 037	172 713 406
Provisions	19	34 861 610	32 111 311
		225 284 902	**210 171 612**
Non-Current Liabilities		225 284 902	210 171 612
Current Liabilities		372 250 105	351 880 794
Total Liabilities		**597 535 007**	**562 052 406**
Assets		4 944 208 757	4 860 810 264
Liabilities		(597 535 007)	(562 052 406)
Net Assets		**4 346 673 750**	**4 298 757 858**
Accumulated surplus		4 346 673 755	4 298 757 860

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	999 544 006	816 887 464
Rental of facilities and equipment	22	3 785 561	3 925 587
Agency services		8 496 341	7 051 955
Licences and permits		3 484 451	5 336 008
Miscellaneous other revenue	24	27 713 104	16 266 353
Interest received	23	54 537 329	25 910 020
Dividends received	23	3 602	2 778
Total revenue from exchange transactions		**1 097 564 394**	**875 380 165**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	167 226 614	143 946 378
Transfer revenue			
Government grants & subsidies	26	346 919 819	258 583 880
Public contributions and donations	27	7 359 654	226 974
Fines, Penalties and Forfeits		76 865 164	70 198 200
Total revenue from non-exchange transactions		**598 371 251**	**472 955 432**
		1 097 564 394	875 380 165
		598 371 251	472 955 432
Total revenue	20	**1 695 935 645**	**1 348 335 597**
Expenditure			
Employee related costs	28	(410 799 827)	(331 531 786)
Remuneration of councillors	29	(26 067 633)	(20 971 511)
Depreciation and amortisation	30	(229 030 090)	(199 252 100)
Impairment loss/ Reversal of impairments	31	(6 671 054)	-
Finance costs	32	(4 802 657)	(6 194 969)
Lease rentals on operating lease		(711 756)	-
Debt Impairment	33	(86 014 983)	(74 693 548)
Repairs and maintenance	34	(80 125 593)	(74 789 710)
Bulk purchases	35	(483 993 726)	(413 652 242)
Contracted services	36	(98 571 099)	(94 838 203)
General Expenses	37	(215 008 622)	(173 923 891)
Total expenditure		**(1 641 797 040)**	**(1 389 847 960)**
		-	-
Total revenue		1 695 935 645	1 348 335 597
Total expenditure		(1 641 797 040)	(1 389 847 960)
Operating surplus (deficit)		**54 138 605**	**(41 512 363)**
Loss on disposal of assets and liabilities		(6 233 292)	(526 849)
Fair value adjustments	38	10 583	(13 219)
		(6 222 709)	**(540 068)**
Operating surplus/deficit		(6 222 709)	(540 068)
Surplus (deficit) before taxation		47 915 896	(42 052 431)
Taxation		-	-
Surplus (deficit) for the year		**47 915 896**	**(42 052 431)**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 451 785 999	4 451 785 999
Adjustments		
Prior year adjustments	(110 975 708)	(110 975 708)
Balance at 01 July 2016 as restated*	**4 340 810 291**	**4 340 810 291**
Changes in net assets		
Surplus for the year	(42 052 431)	(42 052 431)
Total changes	(42 052 431)	(42 052 431)
Restated* Balance at 01 July 2017	**4 298 757 859**	**4 298 757 859**
Changes in net assets		
Surplus for the year	47 915 896	47 915 896
Total changes	47 915 896	47 915 896
Balance at 30 June 2018	**4 346 673 755**	**4 346 673 755**

Note(s)

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Service charges and rates		1 098 092 635	995 783 322
Grants		345 656 585	143 946 378
Interest income		54 002 096	25 910 020
Dividends received		3 602	2 778
Public Donations and Contributions		7 359 654	185 188 759
		1 505 114 572	1 350 831 257
Payments			
Employee costs		(436 867 460)	(331 531 786)
Suppliers		(852 401 112)	(719 237 868)
Finance costs		(4 802 657)	(6 194 969)
VAT		20 134 076	-
		(1 273 937 153)	(1 056 964 623)
Total receipts		1 505 114 572	1 350 831 257
Total payments		(1 273 937 153)	(1 056 964 623)
Net cash flows from operating activities	39	**231 177 419**	**293 866 634**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(178 327 284)	(212 862 993)
Proceeds from sale of property, plant and equipment	9	21 950 940	2 172 155
Proceeds from sale of investment property	8	18 080	-
Purchase of other intangible assets	10	-	(2 107 725)
Purchases of heritage assets	11	(10 166)	(3 163)
Proceeds from sale of heritage assets	11	68 040	-
Net movements in financial assets		(4 361 773)	(127 502 971)
Net cash flows from investing activities		**(160 662 163)**	**(340 304 697)**
Cash flows from financing activities			
Finance lease movements		(2 737 756)	-
Net cash flows of discontinued operations		(93 859)	-
Consumer deposits		1 619 073	28 311 917
Net cash flows from financing activities		**(1 212 542)**	**28 311 917**
Net increase/(decrease) in cash and cash equivalents		**69 302 714**	**(18 126 146)**
Cash and cash equivalents at the beginning of the year		177 343 674	195 469 819
Cash and cash equivalents at the end of the year	7	**246 646 388**	**177 343 673**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	889 313 309	(1 993 971)	**887 319 338**	999 544 006	**112 224 668**	Note 1
Rental of facilities and equipment	4 506 734	(1 070 563)	**3 436 171**	3 785 561	**349 390**	
Agency services	-	-	**-**	8 496 341	**8 496 341**	Note 2
Licences and permits	14 783 502	(1 505 892)	**13 277 610**	3 484 451	**(9 793 159)**	Note 2
Miscellaneous other revenue	13 621 643	(2 922 389)	**10 699 254**	27 713 104	**17 013 850**	Note 3
Interest received - investment	19 079 500	9 620 500	**28 700 000**	54 537 329	**25 837 329**	Note 4
Dividends received	-	-	**-**	3 602	**3 602**	
Total revenue from exchange transactions	**941 304 688**	**2 127 685**	**943 432 373**	**1 097 564 394**	**154 132 021**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	171 632 339	(7 228 870)	**164 403 469**	167 226 614	**2 823 145**	
Transfer revenue						
Government grants & subsidies	343 889 000	-	**343 889 000**	346 919 819	**3 030 819**	
Public contributions and donations	-	-	**-**	7 359 654	**7 359 654**	Note 5
Fines, Penalties and Forfeits	115 662 569	(35 044 789)	**80 617 780**	76 865 164	**(3 752 616)**	
Total revenue from non-exchange transactions	**631 183 908**	**(42 273 659)**	**588 910 249**	**598 371 251**	**9 461 002**	
'Total revenue from exchange transactions'	941 304 688	2 127 685	**943 432 373**	1 097 564 394	**154 132 021**	
'Total revenue from non-exchange transactions'	631 183 908	(42 273 659)	**588 910 249**	598 371 251	**9 461 002**	
Total revenue	**1 572 488 596**	**(40 145 974)**	**1 532 342 622**	**1 695 935 645**	**163 593 023**	
Expenditure						
Personnel	(429 926 766)	10 842 848	**(419 083 918)**	(410 799 827)	**8 284 091**	Notes 6
Remuneration of councillors	(23 357 485)	(7 351 092)	**(30 708 577)**	(26 067 633)	**4 640 944**	
Depreciation and amortisation	(216 791 925)	(10 000 000)	**(226 791 925)**	(229 030 090)	**(2 238 165)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(6 671 054)	**(6 671 054)**	Note 7
Finance costs	-	-	**-**	(4 802 657)	**(4 802 657)**	Note 8
Lease rentals on operating lease	-	-	**-**	(711 756)	**(711 756)**	
Debt Impairment	(90 500 540)	-	**(90 500 540)**	(86 014 983)	**4 485 557**	Note 7
Repairs and maintenance	(90 014 225)	(28 296 929)	**(118 311 154)**	(80 125 593)	**38 185 561**	Note 9
Bulk purchases	(540 650 000)	-	**(540 650 000)**	(483 993 726)	**56 656 274**	Note 10
Contracted Services	(105 943 723)	2 060 530	**(103 883 193)**	(98 571 099)	**5 312 094**	
General Expenses	(214 228 834)	(4 045 959)	**(218 274 793)**	(215 008 622)	**3 266 171**	
Total expenditure	**(1 711 413 498)**	**(36 790 602)**	**(1 748 204 100)**	**(1 641 797 040)**	**106 407 060**	
	1 572 488 596	(40 145 974)	**1 532 342 622**	1 695 935 645	**163 593 023**	
	(1 711 413 498)	(36 790 602)	**(1 748 204 100)**	(1 641 797 040)	**106 407 060**	
Operating surplus	**(138 924 902)**	**(76 936 576)**	**(215 861 478)**	**54 138 605**	**270 000 083**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	424 400	(424 400)	-	(6 233 292)	**(6 233 292)**	Note 11
Fair value adjustments	-	-	-	10 583	**10 583**	
	424 400	**(424 400)**	**-**	**(6 222 709)**	**(6 222 709)**	
	(138 924 902)	(76 936 576)	**(215 861 478)**	54 138 605	**270 000 083**	
	424 400	(424 400)	-	(6 222 709)	**(6 222 709)**	
Surplus before taxation	**(138 500 502)**	**(77 360 976)**	**(215 861 478)**	**47 915 896**	**263 777 374**	
Deficit before taxation	(138 500 502)	(77 360 976)	**(215 861 478)**	47 915 896	**263 777 374**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(138 500 502)**	**(77 360 976)**	**(215 861 478)**	**47 915 896**	**263 777 374**	

Note 1 - Ventersdorp Region accounts were corrected and the implementation of 95/5 took effect.

Note 2 - Agency fees votes are budgeted as part of Licences and Permits as per approved budget.
- Licenses and Testing station not operational in Ventersdorp.

Note 3 - Sundry Charges from different Departments increased during the year.

Note 4 - More Interest on arrears and investments received.

Note 5 - Donations received from provincial government, these are not budget for.

Note 6 - Over budgeted, 7% increase and 5% approved.

Note 7 - Debt Impairment and impairment of assets combined and within budget and actual threshold of 10%.

Note 8 - No budget for Finance costs or prohibited expenditure.

Note 9 - Cost containment measures implemented.

Note 10 - Over budget on the Eskom Winter Accounts.

Note 11 - No budget for losses on disposal of assets.

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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 17.

Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:
The landfill closure designs has changed from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for the sites previously classified as communal and small.

Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

Useful lives of Property, Plant and Equipment, Intangible assets and Investment Property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

The estimation of residual values of assets is based on management’s judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1.4 Property, plant and equipment

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

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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	5-60 years
Plant and machinery	Straight line	2-20 years
Furniture and fixtures	Straight line	2-20 years
Motor vehicles	Straight line	5-20 years
Office equipment	Straight line	2-20 years
IT equipment	Straight line	5-20 years
Leasehold improvements	Straight line	10-50 years
Infrastructure	Straight line	3-80 years
Community	Straight line	5-60 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

1.4 Property, plant and equipment (continued)

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 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.

1.5 Investment property

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

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

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

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

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

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

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

Cost model

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

Property - land	Indefinite
Property - buildings	5-60 years

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

1.5 Investment property (continued)

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

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

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

1.6 Intangible assets (continued)

Item		Average useful life
Computer software	Straight line	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

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.

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.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

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.

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 municipality and a financial liability or a residual interest of another municipality.

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.

1.8 Financial instruments (continued)

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;
- 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 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.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Non-current Investments	Financial asset measured at fair value

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

1.8 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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.

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment and uncollectibility of financial assets

The municipality 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 directly OR 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 directly OR 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.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - 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 municipality 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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 municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

1.8 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 municipality 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.

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.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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.

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 .

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

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

Operating leases - The Municipality as 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.

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

Operating leases - The Municipality as 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 weighted average cost 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 managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

A cash-generating unit is the smallest identifiable group of assets managed 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.

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.

Identification

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

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

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

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Share capital / contributed capital

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

1.13 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:

1.13 Employee benefits (continued)

- 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.

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

1.13 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.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.13 Employee benefits (continued)

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.13 Employee benefits (continued)

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.

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.14 Provisions and contingencies (continued)

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 41.

Decommissioning, restoration and similar liability

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

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

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

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

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.15 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.15 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.16 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.

1.17 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.

Sale of goods

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

1.17 Revenue from exchange transactions (continued)

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.

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.

1.18 Revenue from non-exchange transactions

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.

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.

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.

1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

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.

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.

1.19 Investment income

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

1.20 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.

1.21 Comparative figures

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

1.22 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.

1.23 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.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

1.25 Budget information

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

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

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

The 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.

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

Comparative information is not required.

Accounting Policies

1.26 Related parties

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

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

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

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

1.27 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2017	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 110: Living and Non-living Resources	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Not expected to impact results but may result in additional disclosure
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Not expected to impact results but may result in additional disclosure
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Not expected to impact results but may result in additional disclosure
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Not expected to impact results but may result in additional disclosure
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Inventories

Consumable stores	21 624 022	13 251 699
Water	492 123	492 123
Land stock	119 640 047	121 750 908
	141 756 192	**135 494 730**

Inventory pledged as security

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

4. Receivables from non-exchange transactions

Traffic Fines	353 648 553	286 273 106
Sundry debtors	20 338 350	19 975 586
Sundry deposits	4 318 078	4 315 840
Impairment	(250 884 256)	(186 492 621)
	127 420 725	**124 071 911**

None of the receivables have been pledged as security for the municipality's financial liabilities.

Reconciliation of allowance for impairment

Opening balance	(186 492 621)	(133 572 572)
Provision for impairment	(64 391 635)	(52 920 049)
	(250 884 256)	**(186 492 621)**

5. Consumer debtors

Gross balances		
Rates	63 046 913	62 809 190
Electricity	157 269 989	128 454 339
Water	69 097 175	46 750 358
Sewerage	41 977 087	33 065 264
Refuse	32 218 644	23 664 590
Other debtors	136 437 568	84 021 526
	500 047 376	**378 765 267**
Less: Allowance for impairment		
Rates	(48 875 433)	(44 327 670)
Electricity	(52 835 316)	(52 745 077)
Water	(23 213 400)	(19 196 324)
Sewerage	(14 102 326)	(13 577 041)
Refuse	(10 823 948)	(9 716 998)
Other debtors	(45 836 603)	(34 500 366)
	(195 687 026)	**(174 063 476)**
Net balance		
Rates	14 171 480	18 481 520
Electricity	104 434 673	75 709 263
Water	45 883 776	27 554 033
Sewerage	27 874 761	19 488 223
Refuse	21 394 695	13 947 592
Other debtors	90 600 965	49 521 160
	304 360 350	**204 701 791**

Figures in Rand	2018	2017
5. Consumer debtors (continued)		
Included in above is receivables from exchange transactions		
Debtors with payment arrangements	12 625 981	10 055 726
Net balance	**12 625 981**	**10 055 726**
Rates		
Current (0 -30 days)	3 498 929	4 563 076
31 - 60 days	557 624	727 216
61 - 90 days	409 721	534 330
91 - 120 days	388 904	507 184
> 365 days	9 316 302	12 149 714
	14 171 480	**18 481 520**
Electricity		
Current (0 -30 days)	49 379 289	60 380 819
31 - 60 days	3 938 471	1 253 016
61 - 90 days	3 096 218	707 636
91 - 120 days	2 086 612	416 157
> 365 days	45 934 083	12 951 635
	104 434 673	**75 709 263**
Water		
Current (0 -30 days)	7 371 197	8 933 626
31 - 60 days	1 631 742	993 365
61 - 90 days	827 257	642 250
91 - 120 days	786 313	642 398
> 365 days	35 267 267	16 342 394
	45 883 776	**27 554 033**
Sewerage		
Current (0 -30 days)	5 103 670	6 811 648
31 - 60 days	995 046	772 086
61 - 90 days	766 762	497 349
91 - 120 days	742 573	490 440
> 365 days	20 266 710	10 916 700
	27 874 761	**19 488 223**
Refuse		
Current (0 -30 days)	4 360 216	6 118 872
31 - 60 days	903 035	772 819
61 - 90 days	698 525	521 103
91 - 120 days	647 490	415 719
> 365 days	14 785 429	6 119 079
	21 394 695	**13 947 592**
Other debtors		
Current (0 -30 days)	-	6 177 731
31 - 60 days	3 092 833	1 759 828
61 - 90 days	4 169 381	1 528 386
91 - 120 days	4 020 972	1 633 173
> 365 days	79 317 779	38 422 042
	90 600 965	**49 521 160**

Figures in Rand	2018	2017

5. Consumer debtors (continued)

Reconciliation of allowance for impairment

	2018	2017
Balance at beginning of the year	(174 063 476)	(151 533 383)
Contributions to allowance	(21 623 551)	(22 530 093)
	(195 687 027)	**(174 063 476)**

6. VAT receivable

	2018	2017
Net balance	17 587 701	37 721 777

The Municipality is registered for VAT on a payment basis.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Bank balances	84 730 963	36 503 040
Current Investments	155 400 375	140 809 438
Other cash and cash equivalents	6 515 051	31 196
	246 646 389	**177 343 674**

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

The management of the municipality is of the opinion that the carrying value of bank balances, current investments and other cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, current investments and other cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

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
Absa - Current - 4090067672	17 811 610	6 243 111	-	25 223 086	15 277 134	-
Absa - Call - 9324900933	1 065 535	16 698 364	-	1 065 536	16 698 364	-
Absa - Current - 680000093	-	1 605 526	-	-	1 605 526	-
Absa - Traffic fines - 9111051672	-	20 860	-	-	11 657	-
Absa - Current - 2250000017	152 788	39 548	-	152 788	38 768	-
First National Bank - Current - 62413246241	6 436 145	992 711	-	6 436 145	884 444	-
First National Bank - Traffic fines - 62413454133	3 021 049	42 320	-	3 021 049	42 320	-
Nedbank - Current -1497222400	48 832 360	1 944 827	-	48 832 360	1 944 827	-
Total	**77 319 487**	**27 587 267**	**-**	**84 730 964**	**36 503 040**	**-**

The municipality had the following current investments

7. Cash and cash equivalents (continued)

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
Nedbank - Call deposit - 03/7881004517/000083	21 666 132	631 739	-	21 666 132	631 739	-
Nedbank - Fixed deposit - 03/7881004517/000089	85 919 024	-	-	85 919 024	-	-
Absa - Fixed deposit - 2076763888	-	79 959 200	-	-	79 959 200	-
Standard bank - 43 846 0944_038 - Call deposit	46 337	44 412	-	46 337	44 412	-
Standard bank - Call deposit - 43 846 0944_045	34 468 168	32 741 385	-	34 468 168	32 741 385	-
Investec bank - Call deposit - 1400-190518-500	180 685	169 345	-	180 685	169 345	-
First National Bank - Fixed deposit - 62027926726	4 399	4 659	-	4 399	4 659	-
First National Bank - Call - 62419914991	52 661	49 487	-	52 661	49 487	-
First National Bank - Call - 62419921417	67 407	57 888	-	67 407	57 888	-
Absa - Housing - 4055584178	-	14 723 662	-	-	14 723 662	-
Absa - Mayoral funds - 4053962053	-	(240)	-	-	(240)	-
Absa - Municipal funds - 405583287	12 995 561	12 427 901	-	12 995 561	12 427 901	-
Total	**155 400 374**	**140 809 438**	**-**	**155 400 374**	**140 809 438**	**-**

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53 689 956	-	53 689 956	53 708 036	-	53 708 036

Reconciliation of investment property - 2018

	Opening balance	Disposals	Total
Investment property	53 708 036	(18 080)	53 689 956

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	53 708 036	53 708 036

Pledged as security

There are no contractual obligations on Investment Property.

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.

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	428 183 246	-	428 183 246	423 664 296	-	423 664 296
Buildings	521 973 942	(267 025 966)	254 947 976	516 532 717	(243 746 413)	272 786 304
Infrastructure	5 904 547 968	(2 970 472 638)	2 934 075 330	5 774 734 067	(2 795 327 182)	2 979 406 885
Community	401 630 394	(197 248 368)	204 382 026	393 908 914	(174 947 618)	218 961 296
Other property, plant and equipment	206 626 928	(127 283 863)	79 343 065	196 185 968	(114 167 703)	82 018 265
Housing	83 900 684	(56 489 940)	27 410 744	83 900 684	(53 070 543)	30 830 141
Total	**7 546 863 162**	**(3 618 520 775)**	**3 928 342 387**	**7 388 926 646**	**(3 381 259 459)**	**4 007 667 187**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	423 664 296	5 000 000	(481 050)	-	-	428 183 246
Buildings	272 786 304	6 108 961	(667 736)	(23 279 553)	-	254 947 976
Infrastructure	2 979 406 885	148 342 186	(20 088 463)	(172 554 950)	(1 030 328)	2 934 075 330
Community	218 961 296	7 987 926	(266 446)	(16 660 024)	(5 640 726)	204 382 026
Other property, plant and equipment	82 018 265	10 888 211	(447 245)	(13 116 166)	-	79 343 065
Housing	30 830 141	-	-	(3 419 397)	-	27 410 744
	4 007 667 187	**178 327 284**	**(21 950 940)**	**(229 030 090)**	**(6 671 054)**	**3 928 342 387**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	424 281 924	-	(617 628)	-	-	423 664 296
Buildings	289 528 904	4 786 191	-	-	(21 528 791)	272 786 304
Infrastructure	2 947 435 363	178 955 407	(1 541 655)	35 674	(145 477 904)	2 979 406 885
Community	217 088 202	17 684 196	(464 416)	-	(15 346 686)	218 961 296
Other property, plant and equipment	83 126 015	11 439 940	(75 305)	-	(12 472 385)	82 018 265
Housing	34 116 431	-	-	-	(3 286 290)	30 830 141
	3 995 576 839	**212 865 734**	**(2 699 004)**	**35 674**	**(198 112 056)**	**4 007 667 187**

Pledged as security

The municipality did not pledge any of its assets as security.

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	186 265 989	186 265 989
Additions for the year	97 643 386	97 643 386
Completed	(129 597 039)	(129 597 039)
	154 312 336	**154 312 336**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	9 313 701	-	9 313 701	9 313 701	-	9 313 701

Reconciliation of intangible assets - 2018

	Opening balance	Total
Computer software	9 313 701	9 313 701

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Total
Computer software, other	7 205 976	2 107 725	9 313 701

Pledged as security

All of the municipality’s Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. The municipality did not pledge any of its assets as security.

Details of valuation

The municipality's Intangible Assets have indefinite useful lives and are therefore not amortised. No restrictions apply to any of the Intangible Assets of the municipality.

11. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectables and monuments	62 836 135	-	62 836 135	62 894 009	-	62 894 009

11. Heritage assets (continued)

Reconciliation of heritage assets 2018

	Opening balance	Additions	Disposals	Total
Museum collectables and monuments	62 894 009	10 166	(68 040)	62 836 135

Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Museum collectables and monuments	62 890 846	3 163	62 894 009

Pledged as security

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.
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Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Other financial assets

Designated at fair value		
Listed shares	71 509	69 258
Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.Listed shares and unit trusts are measured at fair value using quoted market prices.		
Unit trusts	158 320	149 988
Unit trusts are portfolios of stock exchange securities in which investors can buy units. Listed shares and unit trusts are measured at fair value using quoted market prices.		
	229 829	**219 246**
At amortised cost		
Long Term Investment - Investec Bank	52 025 392	47 674 202
The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.		
	229 829	219 246
	-	-
	52 025 392	47 674 202
Total other financial assets	**52 255 221**	**47 893 448**
Non-current assets		
Designated at fair value	229 829	219 246
At amortised cost	52 025 392	47 674 202
	52 255 221	**47 893 448**
Non-current assets	52 255 221	47 893 448
Current assets	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Finance lease obligation

Minimum lease payments due		
- within one year	3 852 069	3 852 069
- in second to fifth year inclusive	2 247 040	6 099 110
	6 099 109	9 951 179
less: future finance charges	(752 215)	(1 866 527)
Present value of minimum lease payments	**5 346 894**	**8 084 652**
Present value of minimum lease payments due		
- within one year	3 216 640	2 737 756
- in second to fifth year inclusive	2 130 256	5 346 896
	5 346 896	**8 084 652**
Non-current liabilities	2 130 255	5 346 895
Current liabilities	3 216 640	2 737 756
	5 346 895	**8 084 651**

It is municipality policy to lease certain equipment under finance leases. Finance Leases relate to movable assets with lease terms not more than 3 years. The effective interest rate on Finance Leases is 16.23% in both current and prior year.

The municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

14. Payables from exchange transactions

Trade creditors	167 945 104	195 025 569
Payments received in advanced - contract in process	19 715 353	12 358 140
Unallocated debtors	19 823 019	15 804 834
Engineering services contributions	16 077 431	14 615 400
Staff leave	34 466 393	28 675 640
Deposits received	625 238	248 255
Retentions	19 086 851	18 373 504
Insurance claims	129 474	3 375
Debtors salaries	15 943 145	(1 848 571)
Sale of Erven	79 382	-
Sundry creditors	577 759	14 884
Other Creditors	6 847 603	-
	301 316 752	**283 271 030**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

15. Payables from non-exchange transactions

Sundry deposits	14 830	14 830

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Payables from non-exchange transactions (continued)

No credit period exists for payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its creditors. No terms for payment have been renegotiated by the municipality.

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

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

16. Consumer deposits

	2018	2017
Electricity and water	21 939 160	20 320 087

No guarantees are held in lieu of consumer deposits.

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

No interest is paid on consumer deposits held.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations

Reconciliation of total employee benefit obligations

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

Carrying value		
Post-retirement health care benefits liability	(182 689 147)	(168 965 019)
Long service awards liability	(18 815 102)	(15 376 624)
	(201 504 249)	**(184 341 643)**

Current liabilities	(13 211 212)	(11 628 237)
Non-current liabilities	(188 293 037)	(172 713 406)
	(201 504 249)	**(184 341 643)**

Post-retirement health care benefits liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

In accordance with the requirements of GRAP25, the projected unit credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

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

Opening balance	168 965 019	166 284 520
Net expense recognised in the statement of financial performance	13 724 128	2 680 499
	182 689 147	**168 965 019**

Net expense recognised in the statement of financial performance

Current service cost	3 910 246	5 399 939
Interest cost	15 411 801	13 463 964
Actuarial (gains) losses	4 254 647	(9 780 679)
Benefits paid	(9 852 566)	(6 402 725)
	13 724 128	**2 680 499**

The net expense has been included as part on employee related costs and disclosed on Note 28.

Eligible employees

Active employees (on medical aid) - average age (years)	45.40
Active employees (on medical aid) - average employer monthly contribution (ZAR)	2 620
Continuation pensioners - average age (years)	72.49
Continuation pensioners - average employer monthly contribution (ZAR)	4 003

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.79 %	9.39 %
CPI	6.08 %	6.19 %
Health care cost inflation	7.58 %	7.69 %
Net Discount Rate	2.05 %	1.58 %

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

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2017 the duration of liabilities was 11.87 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2018 is 9.79% per annum, and the yield on the inflation-linked bonds of a similar term was about 3.03% per annum, implying an underlying expectation of inflation of 6.08%% per annum ([1 + 9.79% - 0.5%] / [1 + 3.03%] - 1).

A health care cost inflation rate of 7.58% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and health care inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.05% per annum ([1 + 9.79%] / [1 + 7.58%] - 1). This year’s valuation basis is, therefore, stronger than previous year’s basis from a discount rate perspective.

Sensitivity Analysis

Medical inflation and discount rate

-	1% decrease (R's)	30 June 2018 Valuation basis (R's)	1% increase (R's)
	Salary Increase Rate		
Employer's accrued liability	163 152 522	182 689 147	206 037 986
Employer's current service cost	3 428 064	4 133 438	5 025 752
Employer's interest cost	15 426 333	17 336 411	19 619 718
	Discount Rate		
Employer's accrued liability	205 061 566	182 689 147	164 240 387
Employer's current service	4 967 618	4 133 438	3 478 460
Employer's interest cost	17 532 118	17 336 411	17 116 619

Figures in Rand	2018	2017

17. Employee benefit obligations (continued)

Demographic and decrement assumptions used are as follows:

The assumed normal retirement age is 65 years and the fully accrued age (to take account for ill-health and early retirement decrements) is 63 years for active employees on the medical aid.
The assumed age difference between spouses is 5 years for active employees on the medical aid and the actual years are used for pensioners.

The assumed mortality used was based on the SA85/90 mortality table for active members on the medical aid and the PA(90)-1 table for pensioners.

Continuation on medical aid at retirement age assumptions used as follows:

It was assumed that 50% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Long service awards liability

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover.

No other long-service benefits are provided to employees.

The most recent actuarial valuations of the defined benefit obligation were carried out as at 30 June 2018 by One Pangaea Expertise & Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

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

Opening balance	15 376 624	15 311 996
Net expense recognised in the statement of financial performance	3 438 478	64 628
	18 815 102	**15 376 624**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1 309 109	1 315 865
Interest cost	1 210 524	1 207 681
Benefits paid	(1 893 935)	(1 830 066)
Actuarial (gains) losses	2 812 780	(628 852)
	3 438 478	**64 628**

The net expense has been included as part on employee related costs and disclosed on Note 28.

Eligible employees

Number of employees	1 238	1 114
Average annual salary (R)	180 397	166 743
Average age (years)	46.1	46.2
Average past service (years)	12.8	13.5

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.75 %	8.38 %
CPI	5.36 %	5.20 %
Expected increase in salaries	6.36 %	6.20 %
Net Discount Rate	2.25 %	2.05 %

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

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2017 the duration of liabilities was 5.96 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2018 is 8.75% per annum, and the yield on inflation-linked bonds of a similar term was about 2.74% per annum. This implies an underlying expectation of inflation of 5.36% per annum ([1 + 8.75% - 0.5%] / [1 + 2.74%] - 1).

Salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.36% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. Thus assumed a net discount factor of 2.25% per annum ([1 + 8.75%] / [1 + 6.36%] - 1).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations (continued)

Sensitivity Analysis

Salary increase and Discount rate

-	1% decrease (R's)	30 June 2018 Valuation basis (R's)	1% increase (R's)
	Salary Increase Rate		
Employer's accrued liability	17 708 298	18 815 102	20 028 805
Employer's current service cost	308 566	330 474	354 669
Employer's interest cost	1 462 430	1 558 882	1 664 689
	Discount Rate		
Employer's accrued liability	20 012 413	18 815 102	17 741 004
Employer's current service	354 341	330 474	309 211
Employer's interest cost	1 473 173	1 558 882	1 632 740

Demographic and decrement assumptions used are as follows:

The assumed average retirement age (years) is 63 (males) and 58 (females) for the current and prior financial years.

The assumed mortality used was based on the SA85/90 mortality table for the current and prior financial years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Dr Kenneth Kaunda District Projects	18 515	18 515
Provincial: Department Arts and Culture - Library Grant	3 167 823	2 404 662
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	4 926 310	-
Lotto: Mohadin Stadium	491 999	491 999
Lotto: Tshwaraganang	263 972	263 972
Lotto: Sarafina Sports Facilities	787 245	787 245
National: Municipal Infrastructure Grant (MIG)	7 498 147	26 508 631
Local Government - SETA Grant (LG SETA)	1 176 830	1 120 665
National: Integrated National Electrification Program (INEP)	12 001 364	-
Fire and Emergency Grant	20 738	20 738
Provincial: Health Subsidies	13 996	13 996
LED Projects Tourism Iniatitive	69 417	69 417
LED - City Branding	90 722	90 722
	30 527 078	**31 790 562**

The unspent conditional grants and receipts are invested in investment accounts until utilised. See Note 27 for the reconciliation of grants from government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Figures in Rand	2018	2017

19. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Performance bonuses	2 024 433	-	2 024 433
Rehabilitation of Land-fill Sites	32 111 311	2 750 299	34 861 610
	34 135 744	**2 750 299**	**36 886 043**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Performance bonuses	2 024 433	-	2 024 433
Rehabilitation of Land-fill Sites	29 577 581	2 533 730	32 111 311
	31 602 014	**2 533 730**	**34 135 744**

	2018	2017
Non-current liabilities	34 861 610	32 111 311
Current liabilities	2 024 433	2 024 433
	36 886 043	**34 135 744**

Environmental rehabilitation provision

In terms of the licensing of two landfill refuse sites, the municipality will incur estimated rehabilitation costs of R 17,823,474.48 for the Ventersdorp landfill site and R 32,651,352.50 for the Felophepa landfill site at the end of their useful lives, estimated to be in 2034 for Vendersdorp landfill site and 2019 for Felophepa landfill site, based on recent valuation reports.

The discount rate used is the weighted average cost of capital (WACC) calculated for the both the Ventersdorp and Felophepa landfill sites to be 8.57% based on valuations.

The 2018 landfill closure provisions were calculated using a different methodology as compared to previous financial years. Whereas previously the closure and rehabilitation costs were calculated using a mining rehabilitation methodology, the current methodology is based on prevailing industry trends and regulatory dictates for the closure of landfills. In particular, the landfill classification system has changed from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for sites previously classified as Communal and Small. The mining rehabilitation methodology used previously understated the future costs, hence the adjustments required in this financial year.

The 2018 rehabilitation and closure costs were based on information gathered at the site inspections (visual assessment, asset register, and JBM LM data) and assumptions regarding the timing of the future development of each site. These valuations were performed by EMS Advisory (PTY) LTD for the 2017/18 financial period.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Revenue

Service charges	999 544 006	816 887 464
Rental of facilities and equipment	3 785 561	3 925 587
Agency services	8 496 341	7 051 955
Licences and permits	3 484 451	5 336 008
Miscellaneous other revenue	27 713 104	16 266 353
Interest received	54 537 329	25 910 020
Dividends received	3 602	2 778
Property rates	167 226 614	143 946 378
Government grants & subsidies	346 919 819	258 583 880
Public contributions and donations	7 359 654	226 974
Fines, penalties and forfeits	76 865 164	70 198 200
	1 695 935 645	**1 348 335 597**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	999 544 006	816 887 464
Rental of facilities and equipment	3 785 561	3 925 587
Agency services	8 496 341	7 051 955
Licences and permits	3 484 451	5 336 008
Miscellaneous other revenue	27 713 104	16 266 353
Interest received	54 537 329	25 910 020
Dividends received	3 602	2 778
	1 097 564 394	**875 380 165**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	167 226 614	143 946 378
Transfer revenue		
Government grants & subsidies	346 919 819	258 583 880
Public contributions and donations	7 359 654	226 974
Fines, penalties and forfeits	76 865 164	70 198 200
	598 371 251	**472 955 432**

21. Service charges

Sale of electricity	739 877 572	612 657 313
Sale of water	121 195 876	91 204 708
Sewerage and sanitation charges	72 501 181	60 599 591
Refuse removal	65 969 377	52 425 852
	999 544 006	**816 887 464**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	3 785 561	3 925 587

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Figures in Rand	2018	2017

23. Investment revenue

Dividend revenue		
Other financial assets - investments in shares	3 602	2 778
Interest revenue		
Investments	21 599 028	15 635 654
Interest charged on trade and other receivables	32 938 301	10 274 366
	54 537 329	**25 910 020**
	3 602	2 778
	54 537 329	25 910 020
	54 540 931	**25 912 798**

24. Miscellaneous other revenue

Administration and management fees received - third party	3 877 351	2 844 194
Fees earned	2 142 117	1 965 393
Building Fees	691 657	541 801
Sundries	15 317 585	3 945 364
Clearance certificates	367 312	296 534
Sewerage plan fees	345 883	279 598
Funeral fees	1 041 496	851 621
Display posters	340 832	250 765
Marketing	233 210	1 525 201
Admission: Motor Vehicles	799 315	790 940
Levy legal expenses	316 565	365 493
Other income	2 239 781	2 569 449
	27 713 104	**16 226 353**

25. Property rates

Rates received

Property rates	167 226 614	143 946 378

Property rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect 1 July 2012 (at Tlokwe) and 1 July 2014 at Ventersdorp.

Rates are levied monthly on property owners and are payable at the end of each month.

Valuations

Residential	22 053 080 500	21 769 873 500
Agricultural	9 483 288 200	9 437 556 000
Industrial / commercial	717 401 000	892 616 200
State	1 596 242 000	1 464 110 000
Municipal	913 779 950	911 477 950
Public service infrastructure	2 795 050 500	2 764 862 000
Multi-purpose	314 042 000	315 279 000
	37 872 884 150	**37 555 774 650**

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2018	2017

26. Government grants and subsidies

Operating grants		
Equitable share grant	209 740 000	156 642 000
National: Municipal Demarcation Transition Grant (MDTG)	4 566 000	13 428 000
Local Government - SETA Grant (LG SETA)	231 169	447 573
National: Expanded Public Works Program Grant (EPWP)	3 868 000	3 421 000
National: Finance Management Grant (FMG)	4 045 000	3 635 000
Provincial: Department Arts and Culture - Library Grant	736 840	1 453 562
LED Constitutional Grant	-	47 819
National: Project Management Unit Grant (PMU)	-	1 815 764
	223 187 009	**180 890 718**
Capital grants		
National: Municipal Infrastructure Grant (MIG)	86 860 484	64 269 605
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	3 073 690	-
National: Water Services Infrastructure Grant (WSIG)	27 000 000	-
Department of Water Affairs and Forestry (DWAF)	-	1 272 376
Provincial Infrastructure Grant (PIG)	-	10 091 181
National: Regional Bulk Infrastructure Grant (RBIG)	6 300 000	-
National: Integrated National Electrification Program (INEP)	498 636	2 060 000
	123 732 810	**77 693 162**
	223 187 009	180 890 718
	123 732 810	77 693 162
	346 919 819	**258 583 880**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.All registered indigents receive a 100% monthly subsidy on all basic services based on the monthly billing, towards their consumer account. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month.

Dr Kenneth Kaunda District Projects

Balance unspent at beginning of year	18 515	18 515
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	18 515	**18 515**

Provincial: Department Arts and Culture (Library Grant)

Balance unspent at beginning of year	2 404 662	1 658 245
Current-year receipts	1 500 000	2 200 000
Conditions met - transferred to revenue	(736 839)	(1 453 583)
	3 167 823	**2 404 662**

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	-
Current-year receipts	6 300 000	-
Conditions met - transferred to revenue	(6 300 000)	-
	-	**-**

National: Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of year	-	2 686 000
Current-year receipts	4 566 000	10 742 000
Conditions met - transferred to revenue	(4 566 000)	(13 428 000)
	-	**-**

National: Energy Efficiency and Demand Side Management Grant (EEDSMG)

Balance unspent at beginning of year	-	-
Current-year receipts	8 000 000	-
Conditions met - transferred to revenue	(3 073 690)	-
	4 926 310	**-**

National: Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	3 868 000	3 421 000
Conditions met - transferred to revenue	(3 868 000)	(3 421 000)
	-	**-**

National: Water Services Infrastructure Grant

Balance unspent at beginning of year	-	-
Current-year receipts	27 000 000	-
Conditions met - transferred to revenue	(27 000 000)	-
	-	**-**

National: Municipal Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	4 045 000	3 635 000
Conditions met - transferred to revenue	(4 045 000)	(3 635 000)
	-	**-**

Lotto: Mohadin Stadium

Balance unspent at beginning of year	491 999	491 999
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	491 999	**491 999**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

Lotto: Tshwaraganang

Balance unspent at beginning of year	263 972	263 972
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	263 972	**263 972**

Lotto: Sarafina Sports Facilities

Balance unspent at beginning of year	787 245	787 245
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	787 245	**787 245**

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	26 508 631	-
Current-year receipts	67 850 000	90 778 236
Conditions met - transferred to revenue	(86 860 484)	(64 269 605)
	7 498 147	**26 508 631**

National - SETA Grant

Balance unspent at beginning of year	1 120 665	1 108 823
Current-year receipts	287 334	459 415
Conditions met - transferred to revenue	(231 169)	(447 573)
	1 176 830	**1 120 665**

National: Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	-	-
Current-year receipts	12 500 000	2 060 000
Conditions met - transferred to revenue	(498 636)	(2 060 000)
	12 001 364	**-**

Fire and Emergency Grant

Balance unspent at beginning of year	20 738	20 738
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	20 738	**20 738**

Provincial: Health Subsidies

Balance unspent at beginning of year	13 996	13 996
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	13 996	**13 996**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

LED - City Branding

Balance unspent at beginning of year	69 417	69 417
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	69 417	**69 417**

LED Projects Tourism Iniatitive

Balance unspent at beginning of year	90 722	90 722
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	90 722	**90 722**

27. Public contributions and donations

ERF donations received	5 278 315	226 974
Donations received - Kenneth Kaunda	1 400 824	-
Library donations received	680 515	-
	7 359 654	**226 974**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs

Basic	232 069 976	191 142 873
Medical aid - company contributions	30 646 641	25 150 801
Contributions: post-retirement and long service benefits - Note 17	**17 162 606**	**2 745 127**
Current service costs	5 219 355	6 715 804
Interest cost	16 622 325	14 671 645
Actuarial (gains)/losses	7 067 427	(10 409 531)
Benefits paid	(11 746 501)	(8 232 791)
Travel, motor car, accommodation, subsistence and other allowances	9 571 801	8 557 395
Overtime payments	39 175 159	26 307 271
Long-service awards	180 402	(213 938)
13th Cheques	13 760 876	15 435 061
Standby allowances	5 368 133	4 065 271
Housing benefits and allowances	2 191 865	4 198 705
Group insurance	6 185 403	5 170 825
Pension fund	41 514 562	36 059 531
Redemption of leave	10 743 208	10 487 542
Phone allowance	918 018	827 099
Other payments	1 311 177	1 598 223
	410 799 855	**331 531 806**

Remuneration of Municipal Manager

Annual Remuneration	878 870	1 220 704
Car Allowance	78 305	147 903
Cellphone Allowance	11 775	-
Contributions to UIF, Medical and Pension Funds	458 051	267 815
Skills development Levy	1 242	-
Other	149 469	-
	1 577 712	**1 636 422**

The Municipal Manager resigned during the year on the 28th of February 2018. An acting Municipal Manager was appointed on the 1st of March 2018.

Remuneration of Acting Municipal Manager

Annual Remuneration	220 603	-
Car Allowance	40 000	-
Cellphone Allowance	4 000	-
Contributions to UIF, Medical and Pension Funds	90 219	-
Skills development Levy	4 273	-
Acting Allowance	130 839	-
Housing Allowance	39 503	-
	529 437	**-**

Remuneration of chief finance officer

Annual Remuneration	351 025	416 372
Car Allowance	132 318	72 136
Cellphone Allowance	6 000	-
Contributions to UIF, Medical and Pension Funds	127 118	27 304
Skills development Levy	3 677	-
Housing Allowance	99 826	-
Other	896	-
	720 860	**515 812**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs (continued)

The Chief Finance Officer T Moeketsane was appointed on the 1st of January 2018 to date.

Remuneration of acting chief finance officer

Annual Remuneration	74 834	-
Car Allowance	19 532	-
Cellphone Allowance	1 400	-
Contributions to UIF, Medical and Pension Funds	41 883	-
Acting Allowance	36 455	-
Other	122	-
	174 226	**-**

Remuneration of acting director municipal and social services

Annual Remuneration	144 309	-
Car Allowance	36 658	-
Cellphone Allowance	2 700	-
Contributions to UIF, Medical and Pension Funds	56 012	-
Skills development levy	1 816	-
Acting Allowance	1 570	-
	243 065	**-**

The acting director municipal and social services director EPM Modoakgotla was appointed on the 1st of July 2017 to date.

Figures in Rand	2018	2017

28. Employee related costs (continued)

Remuneration of director of economic development

Annual Remuneration	453 630	535 398
Car Allowance	133 350	320 661
Cellphone Allowance	9 000	-
Contributions to UIF, Medical and Pension Funds	200 077	98 008
Skills development levy	2 700	-
Housing Allowance	129 066	-
Other	174 979	-
	1 102 802	**954 067**

Remuneration of Director Corporate Services

Annual Remuneration	446 354	178 862
Car Allowance	136 799	112 560
Cellphone Allowance	9 400	-
Contributions to UIF, Medical and Pension Funds	125 355	32 790
Skills development levy	7 241	-
Annual / holiday bonus	62 553	-
Housing Allowance	136 700	-
	924 402	**324 212**

BMB Mosepele was appointed 0n the 10th of December 2013 to the 30th of April 2018.

Remuneration of Acting Director Corporate Services

Annual Remuneration	112 251	-
Car Allowance	29 562	-
Cellphone Allowance	2 100	-
Contributions to UIF, Medical and Pension Funds	54 020	-
Skills development levy	1 739	-
Housing Allowance	2 390	-
Acting Allowance	30 254	-
	232 316	**-**

The Acting Director Corporate Services GIM Modise was appointed as acting on this position from the 1st of May to date

Remuneration of director of human settlement and planning

Annual Remuneration	174 802	551 794
Car Allowance	56 676	227 882
Cellphone Allowance	4 000	-
Contributions to UIF, Medical and Pension Funds	107 679	130 744
Housing Allowance	22 191	-
Performance bonus	-	167 551
	365 348	**1 077 971**

Remuneration of director: infrastructure

Annual Remuneration	683 331	599 284
Car Allowance	82 130	363 415
Cellphone Allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	346 021	152 088
Skills development levy	3 944	-
Housing	324 543	-

Figures in Rand	2018	2017

28. Employee related costs (continued)

Other	976	-
	1 452 945	**1 114 787**

Remuneration of director: public safety

Annual Remuneration	258 723	518 674
Car Allowance	78 507	318 804
Cellphone Allowance	5 000	-
Contributions to UIF, Medical and Pension Funds	120 817	110 367
Skills development levy	430	-
Housing allowance	81 328	-
	544 805	**947 845**

Remuneration of acting director: public safety

Annual Remuneration	112 797	-
Car Allowance	32 457	-
Cellphone Allowance	2 100	-
Contributions to UIF, Medical and Pension Funds	62 952	-
Skills development levy	1 925	-
Acting Allowance	29 765	-
Other	20 010	-
	262 006	**-**

Remuneration of director: community services

Annual Remuneration	420 446	557 931
Car Allowance	85 867	255 185
Contributions to UIF, Medical and Pension Funds	214 385	129 387
Skills development levy	1 769	-
Other	189	-
Housing Allowance	106 113	-
	828 769	**942 503**

P Labuschagne was appointed from the 4th of February 2013 to the 01 of March 2018.

Remuneration of director: sports, arts and culture

Annual Remuneration	441 207	607 643
Car Allowance	80 000	230 920
Cellphone Allowance	8 000	-
Contributions to UIF, Medical and Pension Funds	245 592	153 216
Housing Allowance	79 121	-
	853 920	**991 779**

CP Henry was appointed on the 1st of January 2016 to the 28th of February 2018.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Remuneration of councillors

Executive Major	861 461	737 750
Mayoral Committee Members	6 473 883	4 851 140
Speaker	697 195	612 959
Chief Whip	656 413	508 128
MPAC	638 287	488 540
Councillors	16 740 395	13 772 994
	26 067 634	**20 971 511**

In-kind benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. They are provided with office accommodation, tools of trade and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor has use of a Council owned vehicle for official duties.
The Executive Mayor make use of a full time body guard/driver.
The Executive Mayor make use of a secretary , personal assistant and and office.

The Speaker make use of Council owned vehicles for official duties.
The Speaker make use of a secretary and office

30. Depreciation and amortisation

Property, plant and equipment	229 030 090	199 252 100

31. Impairment of assets

Impairments		
Property, plant and equipment	6 671 054	-

32. Finance costs

Finance costs - SARS	-	(3 078 508)
Finance costs - DBSA loan	2 708	19 379
Finance costs - Landfill site liability	2 750 299	2 533 730
Finance leases	1 114 313	588 297
Bank	8	4
Other interest paid	935 329	6 132 067
	4 802 657	**6 194 969**

33. Debt impairment

Contributions to debt impairment provision	86 014 983	74 693 548

34. Repairs and maintenance

Land and Buildings	13 554 335	8 040 434
Infrastructure - Electricity - Transmission and reticulation network	10 316 761	15 911 326
Infrastructure - Roads and pavements	12 505 287	10 900 702
Infrastructure - Sanitation and sewer network	9 209 451	3 755 155
Infrastructure - Water reticulation network	10 169 235	10 436 330
Infrastructure - other	1 104 177	4 209 892
Community Assets	6 662 750	4 859 261
Other Assets - Plant and equipment and motor vehicles	16 603 597	16 676 610
Total repairs and maintenance	**80 125 593**	**74 789 710**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Bulk purchases

Electricity	466 808 313	400 524 200
Water	17 185 413	13 128 042
	483 993 726	**413 652 242**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst raw water is purchased from the Department of Water and Sanitation.

36. Contracted services

Audit Services	8 718 306	6 490 083
Consulting Services	3 690 340	3 942 462
Consumer Audit Services	9 489 392	8 827 616
Information Systems	5 569 066	13 944 270
Legal Services	11 044 744	9 764 047
Meter Reading	1 978 908	1 937 063
Other contracted Services	10 539 347	8 330 954
Professional Services	190 616	872 093
Refuse Removal	5 993 828	7 186 358
Risk Management	3 857 628	6 322 836
Security Services	30 350 599	24 613 323
Town Development	4 974 693	446 991
Training Services	2 143 405	2 109 405
Valuation Services	30 227	50 702
	98 571 099	**94 838 203**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. General expenses

Advertising	2 084 306	3 095 959
Bank charges	1 603 109	1 878 231
Chemicals	2 787 356	2 539 915
Cleaning	1 809 823	1 074 991
Commission paid	11 820 283	7 460 013
Community development and training	1 621 337	4 631 978
Distribution of community assets	17 914 628	-
Consumables	20 381	37 948
Inter-departmental charges	57 152 239	40 295 730
Entertainment	489 061	-
Extension services costs	106 665	143 305
Farming	34 259	50 897
Financial losses	2 041 042	1 849 286
Fines and penalties	-	(3 580 327)
Fuel and oil	504 084	1 258 719
Gifts	67 282	63 474
IT expenses	5 415 809	2 332 575
Indigent funeral costs	479 080	1 227 021
Indigent grant costs	52 525 804	61 990 981
Insurance	8 587 339	1 605 869
Levies	216 850	3 306 373
Magazines, books and periodicals	75 531	88 497
Medical expenses	37 130	4 661
Other expenditure	3 305 730	2 007 969
Other expenses	8 888 969	972 999
Packaging	-	135
Postage and courier	3 046 086	2 521 231
Printing and stationery	3 738 164	3 887 786
Protective clothing	4 759	302 269
Refuse	2 714 692	1 842 473
Research and development costs	2 924	37 449
Security (Guarding of municipal property)	25 502	285 737
Sewerage and waste disposal	933 294	575 264
Sitting allowance audit committee	459 215	352 219
Staff welfare	4 924 876	8 439 865
Subscriptions and membership fees	4 177 682	3 525 493
Telephone and fax	97 882	2 932 339
Telephone system costs	723 049	-
Tourism development	89 914	427 902
Travel - local	3 208 085	3 024 257
Travel - overseas	46 721	-
Utilities - refuse costs	89 548	84 480
Vehicle licence and permits fees	1 224 764	979 595
Ward committes	8 480 826	7 867 524
Water	1 432 542	2 500 809
	215 008 622	**173 923 891**

38. Fair value adjustments

Other financial assets		
• Other financial assets	10 583	(13 219)

Figures in Rand	2018	2017

39. Cash generated from operations

Surplus (deficit)	47 915 896	(42 052 431)
Adjustments for:		
Depreciation and amortisation	229 030 090	199 252 100
Gain on sale of assets and liabilities	-	526 849
Fair value adjustments	-	13 219
Finance costs - Finance leases	-	588 297
Impairment deficit	6 671 054	-
Debt impairment	86 014 983	74 693 548
Movements in retirement benefit assets and liabilities	17 162 606	184 341 644
Movements in provisions	2 750 299	34 135 744
Changes in working capital:		
Inventories	(6 261 462)	(135 494 730)
Consumer debtors	(185 673 547)	(365 216 465)
Other receivables from non-exchange transactions	(3 348 814)	(124 071 911)
Payables from exchange transactions	18 045 722	452 747 068
VAT	20 134 076	(37 721 777)
Taxes and transfers payable (non exchange)	-	14 830
Unspent conditional grants and receipts	(1 263 484)	31 790 562
Consumer deposits	-	20 320 087
	231 177 419	**293 866 634**

40. Commitments

Authorised capital expenditure

Approved and contracted		
• Property, plant and equipment	44 466 504	90 193 400

This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.

Figures in Rand	2018	2017

41. Contingencies

40.1 Court Preceding:
The Municipality is exposed to the following court cases:

(i) JB Marks local Municipality VS PL Norman - Matter was set down for hearing on the 13th of July at the Labour Court in Braamfotein and was postponed. Minimal financial exposure by the Municipality.	-	-
(ii) Ministry of Water and Sanitation issued summons against the Municipality for the payment of ZAR 9,252,921.15 in unpaid water bills by the Ventersdorp Municipality. The prospects of the Attorney's successfully defending the case are weak.	9 252 921	-
(iii) Ministry of Water and Sanitation issued summons against the Municipality for the payment of ZAR 20,000,000.00 in unpaid water bills by the Ventersdorp Municipality. The Department of Water and Sanitation could not prove their claim hence the likelihood of financial implications to the Municipality is very minimal.	-	60 357 793
(iv) Lazer communications (Tender 13(93)/2013) - both parties agreed to resolve the matter amicable without costly court proceedings. Financial exposure of the Municipality is ZAR 700,00.00	476 627	-
(v) MKL Mohlomi vs JB Local municipality for unfair dismissal. There is a possibility that the applicant may be successful in his case and be awarded an amount of ZAR 810,562.00	810 562	-
(vi) Oupa Ntsimane vs JB Marks Municipality - the allegations are that the Municipality conducted itself tantamountly to unfair labour issues. Matter was postponed and another date will be set in due course.	300 000	-
(vii) Mr G Dlavane vs JB Marks Municipality - alleged demotion of the applicant and his colleagues due to changes in the organisational structure subsequent to a Merger. A new date for the hearing will be communicated as soon as it has been received by the legal advisors.	200 000	-
(viii) Erasmus Mahlomola vs JB Marks Municipality - alleged not being promoted and after changes in the organisational structure subsequent to a Merger as supposed. A new date for the hearing will be communicated as soon as it has been received by the legal advisors.	250 000	-
(ix) Readira Refuge Services CC instituted action against the Municipality for unpaid balance to a contract at the High Court. Council could have financial exposure should the opposing side be successful with their claim.	3 289 330	3 289 330
(x) Biovission instituted claims against the Municipality for damages due to breach of contract. Initial claim of ZAR 50 000 000.00 judgement against the Council now rescinded. Total contract value only ZAR 5 000 000.00	5 000 000	-
(xi) Kabai Eli Tsmele instituted claims against the municipality for motor vehicle collision by a learner driver of amount ZAR 34 406.90. Highly unlikely that the claim will be successful.	-	-
(xii) Mrs Dikgake VS JB Marks municipality for malicious proceedings/false charges laid against the Plaintiff at the SAPS.	78 481	-

Figures in Rand	2018	2017
41. Contingencies (continued)		
(xiii) Mayana Trading served Summons against the Municipality as a result of damages by a pothole. The R59 road is a provincial road and does not fall under the jurisdiction of the municipality. The chances of successful claim is highly unlikely.	-	-
(xiv) Potch Moudienste CC - Arrear taxes and leview and issuing of clearance certificates. Settlements negotiations underway and awaiting council's instructions to settle the matter.	9 000 000	-
(xv) Batalala Construction CC - to terminate contract due to explosive ordanance device at the construction site. Council owes the contractor ZAR 1 900 019 reduced claim for costs incurred for clearing and screening sight.	1 900 019	-
(xvi) Biovission (Pty) Ltd instituted action against the Ventersdorp local municipality for damages as a result of breach of contract. Formal application in terms of Rule 30 (2) which has been set down for 18 July 2017.	-	50 000 000
(xvii) The municipality is involved in litigation with Tshwaragano Intelligent Metering Services (Pty) Ltd/Nungu Zungu (The Consortium) is claiming that the municipality has breached the contract agreed upon.	-	12 437 688
(xviii) The municipality is involved in litigation with Janandri Boerdery CC which has a court order against the Municipality for loss of income due to failure of installing a transformer and fruitless payment of water taxes.	-	95 000
(xix) The municipality is involved in litigation with Maria Elizabeth Roodt, eminating from damages and losses to the plaintiff's Breed Cattle, after the Municipality failed to supply Electricity to the applicant.	-	25 000
(xx) The municipality is involved in litigation with Gabriel Ernst Yssel, eminating from damages to the plaintiff's property, after the Municipality established a borrowing pit on the plaintiff's property.	-	2 000 000
(xxi) The municipality is involved in litigation with INCA, emanating from two long term loan agreements in terms of which INCA loaned approximately R20 million to the municipality. The municipality repaid approximately R4 million to INCA and then stopped further payments. INCA launched an application based on contractual claims against the municipality for repayment of the loan amounts. INCA instituted an alternative claim based on unlawful enrichment on 27 January 2016 for the repayment of the loan amount.	20 000 000	85 000 000
(xxii) Batalala Construction CC - the municipality is involved in litigation withBatala CC. The contractor abandoned a project after an explosive device was found onsite. The contractor was not paid since the contract was not executed as envisaged.	-	1 900 000
(xxii) The municipality is involved in litigation with Wesbank, emanating from rental agreements for office equipment which the municipality did not pay in full in terms of the agreement. The municipality is defending these matters based on the invalidity of the rental agreements.	-	7 000 000
(xxiii) The municipality is involved in litigation with S. Molisalife who claims loss of housing subsidy income due to an error on a title deed being registered in her name for low cost housing.	-	75 000
(xxiv) The municipality is involved in litigation with Raborifi Attorneys, eminating from legal fees which the municipality did not pay in full in terms of the agreement. The municipality is defending these matters based on the invalidity of the legal charges.	-	80 000
(xxv) The municipality is involved in litigation with SO Mathidiso Construction, eminating from outstanding fees to supply paraffin lamps, stoves and oil which the municipality did not pay in full in terms of the agreement. The municipality is defending these matters based on the invalidity of the contract and applicable legislation.	-	35 000 000

Figures in Rand	2018	2017
41. Contingencies (continued)		
(xxvi) T-Square Engineers is claiming an amount of approximately R1,3 million against Ventersdorp Municipality for design and construction management costs. The original tendered amount was approximately R590 000 which has been paid but the supplier claims that a variation order was agreed for the full amount of the claim. Estimated financial exposure should the plaintiff claims be successful.	560 000	560 000
(xxvii) Tender Dispute; This matter relates to the challenging by Contour of the decision of the municipality to appoint Cigicell as service provider. The claimant has not submitted any damages.	-	350 000
(xxviii) Land claims; The municipality is involved with litigation with CPJ Strydom who has lodged a land claim at the Land Claims court.	-	405 000
(xxix) Additional compensation of ZAR 359 100.00 for variation to the Asphal Thickness Tender 36/VLM/ENG/2011/2012	77 700	-
(xxx) Morati Mataka ATT. vs JB Marks municipality; Summons issued against the municipality for the amount of R152 500.00 for alleged legal service rendered.	152 500	-
(xxxi) CH Stoltz vs JB Marks; Review application of R800 000.00	800 000	-
(xxxii) HT Phelatona vs JB Marks; Application for payment of R3,5 million for services rendered to the municipality. Matter has been finalised.	-	-
(xxxiii) Kgomotso Segone vs JB Marks; Employee served a letter of demand to claim R400 000.00 due to emotional distress suffered as a result of harrassment by fellow employees.	400 000	-
(xxxiv) This matter relates to the appointment of the service provider, SO Matshidiso Construction, to supply paraffin lamps, stoves and oil. The appointment of the service provider did not comply with the applicable legislation and is therefore void. The amounts paid to the service provider must also be refunded to the municipality, less the reasonable costs incurred by the service provider. Plaintiff claimed r34 million from council.	34 000 000	-
	86 548 140	**258 574 811**

Contingent assets

The Municipality was involved in the following transactions or events in the current and prior year involving Contingent Assets:

(i) False and defamatory statements were published in the Herald Newspaper about the former Municipal Manager, the Executive mayor, the speaker and officials on the 21st of February 2018. The matter will be handled at the High Court and the accused was given an opportunity to retract the statements. Financial exposure in favour of the Municipality is minimal to none.	-	-
(ii) Readira Refuge Services CC instituted action against the Municipality for unpaid balance to a contract at the High Court. The Council might be entitled to an amount for counter claims.	868 675	868 675
(iii) Program for Community Development and Rythm of the Nation to finalise surface rights owner agreements. PCD has not paid annual rental and has been placed under Business rescue.	1 000 000	-
(iv) Potch Moudienste CC - Arrear taxes and leview and issuing of clearance certificates. Settlements negotiations underway and awaiting council's instructions to settle the matter.	700 000	-
(v) The municipality is involved in litigation with INCA. This matter relates to the rental agreements in terms of which an amount of R 4,5 million was paid to INCA. The agreements were concluded contrary to the legal requirements and therefore invalid. New evidence came to light during the current year that indicated that a portion of the municipality's claim expired.	2 500 000	2 000 000

Figures in Rand	2018	2017
41. Contingencies (continued)		
(vi) This matter relates to the appointment of the service provider, SO Matshidiso Construction, to supply paraffin lamps, stoves and oil. The appointment of the service provider did not comply with the applicable legislation and is therefore void. The amounts paid to the service provider must also be refunded to the municipality, less the reasonable costs incurred by the service provider. R20 million irregular expenditure to be recovered.	20 000 000	20 000 000
(vii) This matter relates contravention of municipal by-laws by JD Viljoen, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	86 613	53 824
(viii) This matter relates contravention of municipal by-laws by VA & H McIntyre, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	-	53 824
(ix) This matter relates contravention of municipal by-laws by SP Selani, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	76 020	66 653
(x) This matter relates contravention of municipal by-laws by Shalom Trust, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The trust indicated an intention to oppose the matter.	76 020	74 084
(xi) This matter relates contravention of municipal by-laws by MM Saaiman, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	-	53 824
(xii) Council is investigating matter in order to take transfer of properties from the Vyfhoek Management Board.	-	5 000 000
(xiii) Naming rights contract dispute is currently under investigation by council.	-	6 000 000
(xiv) Fuitless, Irregular and unauthorised expenditure to be recuperated from four Councilors.	1 799 572	-
	27 106 900	**34 170 884**

42. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	52 255 221	-	52 255 221
Other receivables from non-exchange transactions	-	127 420 725	127 420 725
Consumer debtors	-	304 360 350	304 360 350
Cash and cash equivalents	-	246 646 389	246 646 389
	52 255 221	**678 427 464**	**730 682 685**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	301 316 752	301 316 752
Payables from non-exchange transactions	14 830	14 830

Figures in Rand	2018	2017

42. Financial instruments disclosure (continued)

Consumer Deposits	21 939 160	21 939 160
Finance lease obligation	5 346 895	5 346 895
	328 617 637	**328 617 637**

2017

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	47 893 448	-	47 893 448
Other receivables from non-exchange transactions	-	124 071 911	124 071 911
Consumer debtors	-	204 701 791	204 701 791
Cash and cash equivalents	-	177 343 674	177 343 674
	47 893 448	**506 117 376**	**554 010 824**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	283 271 030	283 271 030
Payables from non-exchange transactions	14 830	14 830
Other financial liabilities	93 859	93 859
Consumer Deposits	20 320 087	20 320 087
Finance lease obligation	8 084 651	8 084 651
	311 784 457	**311 784 457**

42. Financial instruments disclosure (continued)

Fair Value
The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables
Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values.

Long-term Investments
The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.
The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.
Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

Below is an analyses of Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Other financial assets are measured at fair value based on quoted market prices in active markets for identical instruments, these are therefore Level 1.

43. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

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.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality’s short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

43. Risk management (continued)

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.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount,
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality’s maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.
Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

43. Risk management (continued)

Financial instruments	**2018**	**2017**
Receivables from non-exchange transactions	127 420 725	124 071 911
Consumer debtors	304 360 350	204 701 791
Cash and Cash equivalents	246 646 389	177 343 674
Payables from exchange transactions	(301 316 752)	(283 271 030)
Payables from non-exchange transactions	(14 830)	(14 830)
Finance lease obligations	(5 346 895)	(8 084 651)
Consumer deposits	(21 939 160)	(20 320 087)
Other financial liabilities	-	(93 859)

44. Irregular expenditure

Opening balance	1 187 223 293	842 210 581
Add: Irregular Expenditure - current year	280 292 875	335 983 437
Add: Deviations not reported to council	25 080 969	9 029 275
	1 492 597 137	**1 187 223 293**

Details of irregular expenditure – current year

		-
7 days advert not attached	184 743	126 491
Competitive bidding processes were not followed	225 711 456	122 546 992
Declaration of interest not attached	162 392	6 982 012
Three quotations not attached	1 403 098	2 976 464
Non Tax Compliant	993 759	1 960 539
Supplier not registered on Central Suplier Data Base	34 288	1 008 245
SCM procurement processes not followed	51 803 140	200 382 694
Add: Deviations not reported to council	25 080 969	9 029 275
	305 373 845	**345 012 712**

45. Fruitless and wasteful expenditure

Opening balance	70 894 151	61 426 046
Add: Fruitless and wasteful expenditure - current year	3 652 808	9 468 105
Less: Condoned or written off by Council	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	74 546 959	**70 894 151**

The following are particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

Interest on late payments - various creditors - R1 447 433 (2017: R9 468 105) - To be submitted to Council.

Penalties on late payments - various creditors - R2 205 375 (2017: R0) - To be submitted to Council.

46. Unauthorised expenditure

Governance and administration	122 790 827	184 080 291
Community and public safety	-	-
Economic and environmental services	-	-
Votes not budgted for:	45 779 279	-
	168 570 106	**184 080 291**

The following are particulars of any criminal or disciplinary steps taken as a consequence of above expenditure - to be condoned by Council.

47. Related parties

Relationships

Ward Councillors by ward number:	1 Maneli KM
	2 Edwards GG
	3 Van Onselen A
	4 Zerwick LJ
	5 Venter JM
	6 Monaisa BJ
	7 Combrink AL
	8 Mogoeemang KEG
	9 Ofentse BL
	10 Chaka XG
	11 Moncho KS
	12 Modise DP
	13 Johnson KA
	14 Makoe ML
	15 Pienaar PJ
	16 Malinga AJ
	17 Ngomezulu KJ
	18 Kganticoe SJ
	19 Kgasane MP
	20 Montsho KL
	21 Makousa RA
	22 Britz S
	23 Esterhuysen JJ
	24 Adriaanse JM
	25 Le Roux AA
	26 Letshabo PT
	27 Mothopeng MS
	28 Valipathwa SP
	29 Katees MM
	30 Mataboge MM
	31 Motladiile AS
	32 Morokeng DM
	33 Matsapola DM
	34 Moilwa I

47. Related parties (continued)

Proportional Councillors:	Clarke VC Coetzer CJ De Villers IJ Du Toit SF Fransman GML Gwili D Kegontse KR Kham XD Khumalo KM Kruger TG Landsberg JC Lesomo PZ Louw EH Makhunga JG Matjila RO Mkhabela LM Moeketsane BJ Moeletsi CL Mogwata CN Mokae MS Mokgethi RH Mokoena LD Molete P Moolman HJ Morulane P Mosenogi G Mosiane MC Nzunga VA Raphulu MP Steyn P Thulo SM Van Onselen WN Xaba JS
Accounting Officer	M Jansen
	Mr CP Henry (Acting Municipal Manager)
	Mr Blaai-Mokgethi (Municipal Manager resigned)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Related parties (continued)

Members of key management

- Botha (Acting Chief Financial Officer)
- Moeketsane T (Chief Financial Officer)
- Masitenyane LJ (Manager Economic Development)
- Nkhumane Manager Public Safety
- Grimbeek Acting Manager Public Safety
- Zungu Manager: Infrastructure
- Henry Executive Manager: Sports, Arts & Culture
- Mosepele Executive Director Corporate Services
- Labuschagne Manager: Community Services
- Modiakgotla Acting Manager: Municipal Services
- Mohlomi Manager: Human Settlement and Planning
- GIM Modise Acting Director: Corporate services
- CWK Kgosimang Acting Chief Financial Officer

Related party balances and transactions

Councillors and officials with arrangements on consumer accounts	**Arrangements**	**Total**
	-	-
STADSRAAD/MAKOUSA	560	14 209
KATEES	5 560	4 361
Employees with arrangements		
Pretorius	1 501	2 799
Steyn	1 171	24 502
Roestorf	3 093	22 416
Barkly	1 729	2 990
Stadsraad/Harwood	7 988	6 127
Petersen	1 104	13 776
Sethibe	1 721	3 817
Present	1 873	3 895
Neba	7 285	28 513
Seleke	476	580
Kgampe	441	1 811
Stadsraad/Segotso	1 767	7 633
Makume	639	103
Mokgethi	155	803
Mosepidi	1 257	51

Awards made to the spouses of employees

Name of the person	**Position**	**Name of spouse**	**Supplier name**	**Expenditure**
Elizabeth Maria Van Niekerk	Parks: Administration	Abraham Van Niekerk	One Man Band Services	14 060
Wilwishia Veronique Waters	Administration	Phillip Jeremy Waters	Coalition Trading 968	342 306
Kedihentshe Lena Moamogwa	Traffic Department	Tebogo F Moamogwa	Moamogwa Construction	1 268 201
Mmokwa Lesley Modisetsi	Library: Ikageng	Omphile Rebecca	The curve behind	74 294
Bridgett Sebetlele	Finance: Acountant	Alex Sebetlele	K2015026401	186 630

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	500 000
Current year subscription	4 021 872	3 493 453
Amount paid - current year	(4 021 872)	(3 993 453)
	-	-

Audit fees

Current year fee	10 984 515	10 686 957
Amount paid - current year	(10 984 515)	(10 686 957)
	-	-

PAYE and UIF

Current year subscription / fee	52 242 556	38 496 913
Amount paid - current year	(52 242 556)	(38 496 913)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	41 181 254	85 316 632
Amount paid - current year	(41 181 254)	(85 316 632)
	-	-

49. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by the prior-year adjustment, reclassification and disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

49. Prior period errors (continued)

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

1. In the prior year and land inventory was overstated by ZAR 103 367 573

2. During 2016-2017 retentions in payables for for exchange were overstated by ZAR 12 079 279

3. Bank charges for ABSA bank account 4053962053 amounting to ZAR 255 were not recorded and interest of ZAR 3 resulting in understatement of Bank charges and interest for the year. Bank charges for ABSA bank account 405584178 and 405553287 amounting to ZAR 158 for 2017-2018 were recorded in 2016-2017 resulting in overstatement of Bank charges in the prior year and cash and cash equivalents.

4. During 2016-2017, interest on investments from Absa 207676388, 4055583287, 4055584178,4053962053 amounting to ZAR 1 636 509 for 2017-2018 was recorded in the incorrect financial year, thus overstating interest income and cash and cash equivalents. Bank in the prior year was understated by ZAR 49 000 000.

L5. During the year 2016-2017,consumer debtors were understated with debtors arrangements VAT, assessment rates ZAR 26 088 018

6. Provision for land fill sites methodology for the year was revised and a revision of estimate was provided by management. The revision in estimate inturn increased the accumulated surplus in for 2016-2017 and the payable in 2016-2017 causing an increase in the provision expense.

7. Consumer deposits were understated by ZAR 23 703

8. During the 2016-2017 year, depreciation, and land inventory understated by ZAR 45 885 678.

10. Interest on landfill sites for Tlokwe for ZAR 503 563 was adjusted following change in methodlogy in the liability provison calculation.

11. During the prior year, prepaid electricity in advance was understated by ZAR 3 948 689

12. During the year prior year public contributions was understated and property plant and equipment was overstated by ZAR 123 305 and library donations by 17 498 369.

13. During 206-2017, depreciation and amortisation expense was understated and property plant and equipment was overstated by ZAR 27 855 414

14. In 2016-2017, retentions included in payables from exchange were overstated by ZAR 22 233 128

15. In 2016-2017, general expenses were overstated by ZAR 11 482 145 and bank was understated by the same amount. Bulk purchases were overstated by ZAR 49 112 280, therefore cash was in overdraft and payables were understated by the same amount.

16. During 2016-2017 traffic fines impairment was overstated by ZAR 84 174 504 due to fines less than 2 years being impairmend and receivables from non exchange being understated by the same amount.

17. In the prior year, the closing balance of irregular expenditure was understated by R 964 898 204.

18. Commitments in the prior year were grossly misstated due to incorrect application of the GRAP standards leading to an over statement of the capital commitments by an amount of R 77 937 961.

Effect of errors on Accumulated Surplus	**2018**	**2017**
Decrease in accumulated surplus to error 1	-	(103 367 574)
Deacrease in accumulated surplus due to error 2	-	12 079 279
Increase in accumulated surplus due to error 4 and error 10	-	(19 687 414)
Increase / (Decrease) in Accumulated Surplus	**-**	**(110 975 709)**

Figures in Rand	2018	2017

49. Prior period errors (continued)

Statement of financial position

Decrease in Land Stock due to error 1	-	(122 456 956)
Increase in cash and cash equivalents due to error 4	-	55 320 096
Decrease in Consumer Debtors due to error 5	-	(26 088 019)
Increase in consumer deposits due error 7	-	23 074
Increase in Consumer Debtors due to error 6	-	9 650 775
Increase in Payables from Exchange due to error 2, error 6 and error 14	-	(62 701 716)
Decrease in PPE due to error 1, error 8	-	45 885 678
Decrease in Receivables from Non-Exchange due to error 5	-	110 835 246
Increase in VAT due to error 5	-	(5 117 741)
	-	**5 350 437**

Statement of financial performance

Deficit previously reported	-	(158 378 578)
Decrease in impairment due to error 16	-	84 174 504
Decrease in departmental costs in general expense due to error 15	-	7 844 423
Decrease in interest earned due to error 4	-	(1 623 654)
Decrease in revenue from exchange due to error 11	-	(3 897 208)
Increase in general expenses due to error 8, error 9, error 10	-	(2 565 609)
Increase in general expenses due to error 8, error 9, error 10	-	43 726 377
Decrease in public contributions and donations due to error 11	-	(123 205)
Increase in government grants and subisdies due to error 12	-	6 288 888
Increase in depreciation and amortisation due to error 13	-	(17 498 370)
	-	**(42 052 432)**

50. Distribution losses

Electricity Distribution

System Input Volume: Electricity Units (kWh) purchased	509 994 587	468 072 944
Billed Consumption: Electricity Units (kWh) sold	(469 217 847)	(427 757 591)
	40 776 740	**40 315 353**
Percentage loss	8.00%	8.61%

Electricity loss for the financial year is 8%. The Rand value of the electricity loss for the current financial year at R0.91/kWh is R 37 323 771 (2017: R 45 772 256).

Electricity Losses occur due to inter alia , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water losses

System Input Volume: Water Units (kL) purchased	29 907 933	25 628 582
Billed Consumption: Water Units (kL) sold	(21 151 204)	(13 903 047)
	8 756 729	**11 725 535**
Percentage loss	29.28%	35.94%

Water losses for the financial year is 29.28%. The estimated Rand value of the water losses for the current financial year at R 0.59/kL is R 5 185 072 (2017: R 17 112 245).

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

51. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 4 346 673 755 and that the municipality's total assets exceed its liabilities by R 4 346 673 755.

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.

Management considered the following matters relating to the Going Concern:
· Good financial indicators for liquidity
· Deficit incurred in the current year, but sufficient accumulated surpluses are still available
· Sufficient cash resources to pay creditors as they fall due
· Challenges in collecting outstanding debts

Management however considered the following matters relating to the Going Concern:

(i) The municipality’s Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) Strict daily cash management processes are embedded in the municipality’s operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors’ collection rates and creditors’ payment terms are closely monitored and the necessary corrective actions instituted.

(iii) The municipality is funded by grant income to date the 1st trench of Equitable Share was received subsequent to year end.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

52. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.

53. Comparative figures

Where necessary, comparative figures have been restated for prior period error adjustments and /or reclassified to conform to changes in presentation in the current year.

The comparative figures of 2016/17 do not cover a full 12 month period. Ventersdorp Municipality and Tlokwe Municiplaity merged into JB Marks Local Municipality on the 6th of August 2016. The comparative figures are for the period 6 August 2016 to 30 June 2017.

54. In-kind donations and assistance

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

55. Change in estimate

Property, plant and equipment

The estimated remaining useful life of assets was reviewed and amended to ensure an accurate systimac allocation of the depreciable amount over the remaining useful life..

The effect of the change in estimate was a decrease in annual depreciation amount by R 10 507 254 during the current financial year.

Annexure A: Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	171 632 339	(7 228 870)	164 403 469	-		164 403 469	167 226 614		2 823 145	102 %	97 %
Service charges	889 313 309	(1 993 971)	887 319 338	-		887 319 338	999 544 006		112 224 668	113 %	112 %
Investment revenue	19 079 500	9 620 500	28 700 000	-		28 700 000	54 540 931		25 840 931	190 %	286 %
Transfers recognised - operational	228 089 000	-	228 089 000	-		228 089 000	223 187 009		(4 901 991)	98 %	98 %
Other own revenue	148 948 741	(40 546 130)	108 402 611	-		108 402 611	120 355 204		11 952 593	111 %	81 %
Total revenue (excluding capital transfers and contributions)	**1 457 062 889**	**(40 148 471)**	**1 416 914 418**	**-**		**1 416 914 418**	**1 564 853 764**		**147 939 346**	**110 %**	**107 %**
Employee costs	(426 915 874)	12 066 818	(414 849 056)	-	-	(414 849 056)	(410 799 827)	-	4 049 229	99 %	96 %
Remuneration of councillors	(23 357 485)	(10 040 092)	(33 397 577)	-	-	(33 397 577)	(26 067 633)	-	7 329 944	78 %	112 %
Debt impairment	(28 000 000)	-	(28 000 000)			(28 000 000)	(86 014 983)	-	(58 014 983)	307 %	307 %
Depreciation and asset impairment	(279 292 465)	(735 000)	(280 027 465)			(280 027 465)	(235 701 144)	-	44 326 321	84 %	84 %
Finance charges	-	-	-	-	-	-	(4 802 657)	-	(4 802 657)	100 %	100 %
Materials and bulk purchases	(540 650 000)	1 500 000	(539 150 000)	-	-	(539 150 000)	(483 993 726)	-	55 156 274	90 %	90 %
Other expenditure	(413 288 147)	(40 163 651)	(453 451 798)	-	-	(453 451 798)	(400 650 362)	-	52 801 436	88 %	97 %
Total expenditure	**(1 711 503 971)**	**(37 371 925)**	**(1 748 875 896)**	**-**	**-**	**(1 748 875 896)**	**(1 648 030 332)**	**-**	**100 845 564**	**94 %**	**96 %**
Surplus/(Deficit)	**(254 441 082)**	**(77 520 396)**	**(331 961 478)**	**-**		**(331 961 478)**	**(83 176 568)**		**248 784 910**	**25 %**	**33 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	115 800 000	300 000	116 100 000	-		116 100 000	123 732 810		7 632 810	107 %	107 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	7 359 654		7 359 654	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**(138 641 082)**	**(77 220 396)**	**(215 861 478)**	**-**		**(215 861 478)**	**47 915 896**		**263 777 374**	**(22)%**	**(35)%**
Surplus/(Deficit) for the year	**(138 641 082)**	**(77 220 396)**	**(215 861 478)**	**-**		**(215 861 478)**	**47 915 896**		**263 777 374**	**(22)%**	**(35)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	241 497 000	1 863 000	243 360 000	1 711		243 361 711	-		(243 361 711)	- %	- %
Sources of capital funds											
Transfers recognised - capital	117 500 000	26 459 000	143 959 000	-		143 959 000	-		(143 959 000)	- %	- %
Internally generated funds	123 998 000	(24 628 000)	99 370 000	-		99 370 000	-		(99 370 000)	- %	- %
Total sources of capital funds	**241 498 000**	**1 831 000**	**243 329 000**	**-**		**243 329 000**	**-**		**(243 329 000)**	**- %**	**- %**