John Taolo Gaetsewe District Municipality

Annual Financial Statements
for the year ended 30 June 2018
Auditor-General of South Africa

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998).
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality. Demarcation code - DC45 John Gaetsewe
Grading of local authority	3
Capacity of the municipality	Medium
Mayoral committee	
Executive Mayor	S. Mosikatsi
Executive Councillors	G.C. Assegaai
	S.N. Bloem (appointed 1 September 2017)
	O.E. Hantise (resigned 1 September 2017)
	K.F. Masilabele
	O.G. Monaki
Speaker	P.Q. Mogatle
Chairperson: Traditional Affairs	B. D. Phetlhu
Councillors	T.G. Anthony A. Booysen H. Du Plessis L. Gwai V. Jordaan L. Kaebis G. Kaotsane O.H. Kgopodithata O.A. Leserwane K.R. Makwati O. Mathibe N. Mokweni T.F. Molwagae P.J. Ohentswe A.W.P. Van Der Westhuizen
Accounting Officers	D.H. Molaole - appointed 1 March 2018 T.H. Matlhare - acting from 1 December 2017 - 28 February 2018 M.W. Molusi - acting from 1 July 2017 to 30 November 2017. K.K. Teise - acting on an ad hoc basis in the months of September, October and November 2017.
Chief Finance Officer	G.P. Moroane

General Information

Registered office	P.O. Box 1480 Kuruman 8460
Business address	4 Federale Mynbou Street Kuruman 8460
Primary bankers	The Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Attorneys	Neville Cloete Attorneys Incorporated Koikanyang Incorporated Sefumba Attorneys Incorporated

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COGHSTA	Northern Cape department: Co-operative Governance, Human Settlements and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
MStA	Municipal Structures Act
RDP	Reconstruction and development programme

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officers have reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 92, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2018 and were signed on:

D.H. Molaole
Accounting officer

30 November 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged as a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996) and operates in South Africa.

The grading of the municipality was revised for the 2017/18 financial year, from a grade 2 to a grade 3.

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

Net deficit of the municipality was R 5 195 001 (2017: surplus R 1 001 790).

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors, and the municipality faces a number of challenges in this regard. The most significant of these factors is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

In October 2018, Treasury informed the municipality that the application to roll forward an amount of R94 055 for the Rural roads asset management grant had been rejected. These funds, therefore, will be returned to the National Revenue Fund in 2018/19 financial year.

The accounting officers are not aware of any other matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officers, as listed below did not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The annual financial statements prepared 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.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the municipality occurred during the year.

7. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report were as follows:

Name	Nationality	Changes
D.H. Molaole	South Africa	Appointed 01 March 2018
T.H Matlhare	South Africa	Acting 01 December 2017 - 28 February 2018
M.W. Molusi	South Africa	Acting 01 July 2017 - 30 November 2017
K.K. Teise	South Africa	Acting on an ad hoc basis during September - November 2017

Accounting Officer's Report

8. Bankers

Accounts were held with The Standard Bank of South Africa Limited (being the primary bankers), as well as investment accounts with First National Bank (a division of First Rand Bank Limited), and ABSA (a division of the Barclays Africa Group Limited) during the year.

9. Auditors

The Auditor-General of 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			
Cash and cash equivalents	3	97 393	147 795
Receivables from exchange transactions	4	11 424 205	12 708 827
Grant receivable	5	1 041 000	-
VAT receivable	6	-	1 029 781
Inventories	7	8 491 346	10 340 796
		21 053 944	**24 227 199**
Non-Current Assets			
Biological assets	8	6 842 282	5 461 827
Investment property	9	6 664 000	6 664 000
Property, plant and equipment	10	74 336 458	75 778 202
Intangible assets	11	391 498	476 489
Heritage assets	12	19 750	19 750
		88 253 988	**88 400 268**
Total Assets		**109 307 932**	**112 627 467**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	13 859 876	13 329 226
Finance lease obligation	14	161 846	22 152
Other financial liabilities	15	475 216	450 268
Unspent conditional grants and receipts and grants receivable	16	616 643	683 609
Employee benefit obligation	17	741 875	535 497
Provisions	18	2 409 759	2 093 713
VAT payable	6	422 727	-
		18 687 942	**17 114 465**
Non-Current Liabilities			
Finance lease obligation	14	496 742	-
Other financial liabilities	15	1 007 987	1 285 538
Employee benefit obligation	17	4 127 057	4 044 207
		5 631 786	**5 329 745**
Total Liabilities		**24 319 728**	**22 444 210**
Net Assets		**84 988 204**	**90 183 257**
Revaluation reserve	19	55 386 620	55 386 620
Accumulated surplus		29 601 584	34 796 637
Total Net Assets		**84 988 204**	**90 183 257**

* See Note 44 & 43

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	20	105 916	89 515
Administration and management fees received	21	2 548 363	2 697 559
Interest received	22	1 354 111	1 808 505
Sale of goods	23	75 000	-
Sundry income		-	1 100
Total revenue from exchange transactions		**4 083 390**	**4 596 679**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	24	80 534 670	74 824 073
Donations in kind	25	60 296	-
Total revenue from non-exchange transactions		**80 594 966**	**74 824 073**
Total revenue		**84 678 356**	**79 420 752**
Expenditure			
Employee related costs	26	(55 502 254)	(49 723 701)
Remuneration of councillors	27	(4 837 257)	(4 014 028)
Depreciation and amortisation	28	(3 139 487)	(3 199 805)
Impairment loss/ Reversal of impairments		(282 097)	-
Finance costs	29	(896 069)	(706 318)
Debt Impairment	30	(142 040)	(920 467)
Contracted services	31	(259 213)	(199 164)
Transfers and subsidies	32	(1 849 450)	-
Operational costs	33	(24 084 533)	(24 857 796)
Total expenditure		**(90 992 400)**	**(83 621 279)**
Operating deficit		**(6 314 044)**	**(4 200 527)**
Fair value adjustments	34	1 380 455	5 271 552
Loss on disposal of assets and liabilities		(261 412)	(69 235)
		1 119 043	**5 202 317**
(Deficit) surplus for the year		**(5 195 001)**	**1 001 790**

* See Note 44 & 43

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2016	**44 715 529**	**33 794 847**	**78 510 376**
Changes in net assets			
Revaluation of property, plant and equipment	10 671 091	-	10 671 091
Net income (losses) recognised directly in net assets	10 671 091	-	10 671 091
Surplus for the year	-	1 001 790	1 001 790
Total recognised income and expenses for the year	10 671 091	1 001 790	11 672 881
Total changes	10 671 091	1 001 790	11 672 881
Restated* Balance at 01 July 2017	**55 386 620**	**34 796 585**	**90 183 205**
Changes in net assets			
Surplus for the year	-	(5 195 001)	(5 195 001)
Total changes	-	(5 195 001)	(5 195 001)
Balance at 30 June 2018	**55 386 620**	**29 601 584**	**84 988 204**
Note(s)	19		

* See Note 44 & 43

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 901 590	5 226 380
Grants		79 487 000	71 899 999
Interest income		1 354 111	1 808 505
		85 742 701	78 934 884
Payments			
Employee costs		(59 734 237)	(55 216 121)
Suppliers		(23 390 366)	(22 700 750)
		(83 124 603)	(77 916 871)
Net cash flows from operating activities	35	**2 618 098**	**1 018 013**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(1 465 518)	(629 639)
Purchase of other intangible assets	11	(9 898)	(171 891)
Net cash flows from investing activities		**(1 475 416)**	**(801 530)**
Cash flows from financing activities			
Repayment of other financial liabilities		(252 603)	(32 296)
Finance lease payments		(44 412)	(252 967)
Finance costs		(896 069)	(706 318)
Net cash flows from financing activities		**(1 193 084)**	**(991 581)**
Net increase/(decrease) in cash and cash equivalents		**(50 402)**	**(775 098)**
Cash and cash equivalents at the beginning of the year		147 795	922 893
Cash and cash equivalents at the end of the year	3	**97 393**	**147 795**

* See Note 44 & 43

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						
Sale of goods	-	-	**-**	75 000	**75 000**	
Rental of facilities and equipment	106 000	-	**106 000**	105 916	**(84)**	
Administration and management fees received	1 787 000	726 000	**2 513 000**	2 548 363	**35 363**	
Interest received - investment	203 000	(17 000)	**186 000**	1 354 111	**1 168 111**	39.01
Total revenue from exchange transactions	**2 096 000**	**709 000**	**2 805 000**	**4 083 390**	**1 278 390**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	80 278 000	(655 000)	**79 623 000**	80 534 670	**911 670**	39.02
Donations in kind	-	-	**-**	60 296	**60 296**	39.03
Total revenue from non-exchange transactions	**80 278 000**	**(655 000)**	**79 623 000**	**80 594 966**	**971 966**	
Total revenue	**82 374 000**	**54 000**	**82 428 000**	**84 678 356**	**2 250 356**	
Expenditure						
Employee related costs	(55 928 000)	3 846 500	**(52 081 500)**	(55 502 254)	**(3 420 754)**	39.04
Remuneration of councillors	(3 737 000)	(82 500)	**(3 819 500)**	(4 837 257)	**(1 017 757)**	39.05
Depreciation and amortisation	(927 000)	530 000	**(397 000)**	(3 139 487)	**(2 742 487)**	39.06
Impairment loss/ Reversal of impairments	-	-	**-**	(282 097)	**(282 097)**	39.07
Finance costs	(430 000)	430 000	**-**	(896 069)	**(896 069)**	39.08
Debt Impairment	-	-	**-**	(142 040)	**(142 040)**	39.09
Repairs and maintenance	(1 496 000)	(340 000)	**(1 836 000)**	(259 213)	**1 576 787**	39.10
Transfers and Subsidies	(400 000)	200 000	**(200 000)**	(1 917 634)	**(1 717 634)**	39.11
Contracted services	(7 363 000)	(829 000)	**(8 192 000)**	(4 873 575)	**3 318 425**	39.12
General Expenses	(11 148 000)	(3 538 000)	**(14 686 000)**	(19 142 774)	**(4 456 774)**	39.13
Total expenditure	**(81 429 000)**	**217 000**	**(81 212 000)**	**(90 992 400)**	**(9 780 400)**	
Operating deficit	**945 000**	**271 000**	**1 216 000**	**(6 314 044)**	**(7 530 044)**	
Loss on disposal of assets and liabilities	-	-	**-**	(261 412)	**(261 412)**	39.14
Fair value adjustments	-	-	**-**	1 380 455	**1 380 455**	39.15
	-	**-**	**-**	**1 119 043**	**1 119 043**	
Deficit before taxation	**945 000**	**271 000**	**1 216 000**	**(5 195 001)**	**(6 411 001)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**945 000**	**271 000**	**1 216 000**	**(5 195 001)**	**(6 411 001)**	
Reconciliation						

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 Position						
Assets						
Current Assets						
Inventories	11 519 000	34 000	**11 553 000**	8 491 346	**(3 061 654)**	39.16
Receivables from exchange transactions	17 431 000	(3 416 000)	**14 015 000**	11 424 206	**(2 590 794)**	39.17
Grant receivable	-	-	**-**	1 041 000	**1 041 000**	39.18
Cash and cash equivalents	1 775 000	(1 627 000)	**148 000**	97 393	**(50 607)**	39.19
	30 725 000	**(5 009 000)**	**25 716 000**	**21 053 945**	**(4 662 055)**	
Non-Current Assets						
Biological assets	1 775 000	3 687 000	**5 462 000**	6 842 282	**1 380 282**	39.20
Investment property	7 880 000	(1 216 000)	**6 664 000**	6 664 000	**-**	
Property, plant and equipment	64 798 000	10 797 000	**75 595 000**	74 336 458	**(1 258 542)**	39.21
Intangible assets	489 000	(13 000)	**476 000**	391 498	**(84 502)**	39.22
Heritage assets	20 000	-	**20 000**	19 750	**(250)**	
Investments in controlled entities	1 165 000	(1 165 000)	**-**	-	**-**	
	76 127 000	**12 090 000**	**88 217 000**	**88 253 988**	**36 988**	
Total Assets	**106 852 000**	**7 081 000**	**113 933 000**	**109 307 933**	**(4 625 067)**	
Liabilities						
Current Liabilities						
Other financial liabilities	483 000	(483 000)	**-**	475 216	**475 216**	39.23
Finance lease obligation	-	-	**-**	161 846	**161 846**	39.24
Payables from exchange transactions	3 541 000	12 165 000	**15 706 000**	13 859 881	**(1 846 119)**	39.25
VAT payable	-	-	**-**	422 727	**422 727**	39.26
Employee benefit obligation	-	-	**-**	741 875	**741 875**	39.27
Unspent conditional grants and receipts and grants receivable	-	-	**-**	616 643	**616 643**	39.28
Provisions	2 207 000	(114 000)	**2 093 000**	2 409 759	**316 759**	39.29
	6 231 000	**11 568 000**	**17 799 000**	**18 687 947**	**888 947**	
Non-Current Liabilities						
Other financial liabilities	1 560 000	(274 000)	**1 286 000**	1 007 987	**(278 013)**	39.30
Finance lease obligation	-	-	**-**	496 742	**496 742**	39.31
Employee benefit obligation	5 944 000	(1 900 000)	**4 044 000**	4 127 057	**83 057**	
	7 504 000	**(2 174 000)**	**5 330 000**	**5 631 786**	**301 786**	
Total Liabilities	**13 735 000**	**9 394 000**	**23 129 000**	**24 319 733**	**1 190 733**	
Net Assets	**93 117 000**	**(2 313 000)**	**90 804 000**	**84 988 200**	**(5 815 800)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	41 970 000	(6 552 000)	**35 418 000**	55 386 620	**19 968 620**	39.32
Accumulated surplus	51 147 000	4 239 000	**55 386 000**	29 601 580	**(25 784 420)**	39.32

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
Total Net Assets	**93 117 000**	**(2 313 000)**	**90 804 000**	**84 988 200**	**(5 815 800)**	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Other revenue	1 893 000	1 978 000	**3 871 000**	4 901 590	**1 030 590**	39.33
Grants	80 278 000	(3 291 000)	**76 987 000**	79 487 000	**2 500 000**	39.34
Interest income	203 000	214 000	**417 000**	1 354 111	**937 111**	39.35
	82 374 000	**(1 099 000)**	**81 275 000**	**85 742 701**	**4 467 701**	
Payments						
Suppliers and employees	(80 102 000)	(15 275 000)	**(95 377 000)**	(83 124 606)	**12 252 394**	39.36
Transfers and subsidies	(400 000)	400 000	**-**	-	**-**	
	(80 502 000)	**(14 875 000)**	**(95 377 000)**	**(83 124 606)**	**12 252 394**	
Net cash flows from operating activities	**1 872 000**	**(15 974 000)**	**(14 102 000)**	**2 618 095**	**16 720 095**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(946 000)	(285 000)	**(1 231 000)**	(1 465 518)	**(234 518)**	39.37
Decrease in other non-current receivables	-	9 800 000	**9 800 000**	-	**(9 800 000)**	39.38
Decrease in non-current investments	-	6 000 000	**6 000 000**	-	**(6 000 000)**	39.39
Purchase of other intangible assets	-	-	**-**	(9 898)	**(9 898)**	
Net cash flows from investing activities	**(946 000)**	**15 515 000**	**14 569 000**	**(1 475 416)**	**(16 044 416)**	
Cash flows from financing activities						
Repayment of borrowings	-	(396 000)	**(396 000)**	(252 603)	**143 397**	39.40
Finance lease payments	-	-	**-**	(44 412)	**(44 412)**	39.41
Finance costs	-	-	**-**	(896 069)	**(896 069)**	39.42
Net cash flows from financing activities	**-**	**(396 000)**	**(396 000)**	**(1 193 084)**	**(797 084)**	
Net increase/(decrease) in cash and cash equivalents	926 000	(855 000)	**71 000**	(50 405)	**(121 405)**	
Cash and cash equivalents at the beginning of the year	148 000	-	**148 000**	147 795	**(205)**	
Cash and cash equivalents at the end of the year	**1 074 000**	**(855 000)**	**219 000**	**97 390**	**(121 610)**	
Reconciliation						

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. All figures are rounded to the nearest Rand.

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Fair value estimation

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

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

An independent, qualified valuer will be appointed where necessary, for example in estimating the fair value of investment property, or biological assets.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions such as demand for such items (e.g. due to technological obsolescence) may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash generating assets

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

Value in use of non-cash generating assets

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

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

Post retirement benefits and other long-term benefits

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

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

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 17.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows except for loan term borrowings or finance leases, where the contractually agreed or implied interest rate is used.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

1.3 Biological assets

The municipality recognises a biological asset that forms part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of a biological asset that forms part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset that forms part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.4 Investment property

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

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

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

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

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

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

Fair value

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

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

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.

Gains or losses arising from the retirement or disposal of investment property are 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.

1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- managements' intended usage of the property; and
- the extent to which it is owner occupied.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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 municipality 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 is carried at cost less accumulated depreciation and any impairment losses except for buildings, community assets - buildings, community assets - land, and land which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 30 years
Community assets - buildings	Straight line	20 - 30 years
Community assets - land	Straight line	Indefinite
Disaster unit - buildings	Straight line	5 - 30 years
Furniture and fittings	Straight line	5 - 30 years
IT equipment	Straight line	5 - 30 years
Land	Straight line	Indefinite
Leased assets	Straight line	3 - 8 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 30 years
Other property, plant and equipment	Straight line	2 - 25 years

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

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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

Accounting Policies

1.6 Intangible assets

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

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

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

Intangible assets are initially measured at cost.

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.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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

The gain or loss arising from the derecognition of an intangible assets are 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.

The municipality recognises heritage assets 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 can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 12 - Heritage assets.

Heritage assets are initially measured at cost.

1.7 Heritage assets (continued)

When 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 to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

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

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

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

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

1.8 Impairment of cash-generating assets

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: as the municipality is a district municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Other revenue generated by the municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities.

Identification

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

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

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

Value in use

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

Discount rate

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

1.8 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.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.9 Impairment of non-cash-generating assets

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: as the municipality is a district municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Revenue generated by the municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities; all such interchangeable assets are deemed to be non-cash generating assets.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

Accounting Policies

1.10 Financial instruments

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

Classification

The 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 exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Unspent conditional grants and receipts and grants receivable	Financial liability measured at amortised cost

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.
- Financial instruments at cost.

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

Fair value measurement considerations

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

Accounting Policies

1.10 Financial instruments (continued)

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

The 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.

Accounting Policies

1.10 Financial instruments (continued)

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

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

1.11 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 current replacement cost as inventories consist of properties to be transferred for no consideration.

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.

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

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

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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.

Other long-term employee benefits

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

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

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

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

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.

1.14 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A contingent liability is:
- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
- • it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- • the amount of the obligation cannot be measured with sufficient reliability.

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

The amounts disclosed as contingent liabilities or assets shall be the best estimate of the expenditure required to settle the obligation, or benefits to be obtained at the reporting date. The estimate may be based on guidance from experts, such as attorneys. Where it is not practicable to engage an expert, and it is not practicable to determine expected values with any certainty, the gross amount of a claim or dispute will be disclosed.

1.15 Accumulated surplus

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

1.16 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.17 Accounting by principals and agents

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

1.17 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the municipality re-assesses whether it act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Revenue from exchange transactions

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

Measurement

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

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.

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

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

Interest

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

1.19 Revenue from non-exchange transactions

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

Recognition

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

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

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

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.

1.19 Revenue from non-exchange transactions (continued)

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.20 Borrowing costs

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

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

1.21 Leases

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

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

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.

1.21 Leases (continued)

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 municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.22 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

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

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 45.

1.24 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

Accounting Policies

1.24 Commitments (continued)

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

1.25 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.

1.26 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.

1.27 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Budget information

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

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

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

1.29 Related parties

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

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

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

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

Accounting Policies

1.30 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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, there are no new standards or interpretations which have become effective and are relevant to the municipality and its operations.

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations in the current financial year.

2.3 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

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

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

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

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

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

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

GRAP 37: Joint Arrangements

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

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

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

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

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

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

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

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

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

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: background to arrangements undertaken in terms of the national housing programme, transactions that affect the accounting of housing arrangements, consider whether the municipality undertakes transactions with third parties on behalf of another party, accounting by municipalities appointed as project manager, disclosure requirements, accounting by municipalities appointed as project developer, accounting for the accreditation fee, commission, administration or transaction fee received, land and infrastructure, conclusion and application of this guideline to existing arrangements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

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

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

The municipality expects to adopt the standard for the first time in the 2021 annual financial statements.

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

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

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

The most significant changes to the Standard are:
- general improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; to clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

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

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- general improvements: an appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- a person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- an entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

The standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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

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

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

GRAP 12 (as amended 2016): Inventories

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 16 (as amended 2016): Investment Property

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

The most significant changes to the Standard are:

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The most significant changes to the Standard are:

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

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 27 (as amended 2016): Agriculture

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 31 (as amended 2016): Intangible Assets

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 103 (as amended 2016): Heritage Assets

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

The most significant changes to the Standard are:

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

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

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

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

Figures in Rand	2018	2017

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 968	1 000
Bank balances	89 076	136 435
Short-term deposits	6 349	10 360
	97 393	**147 795**

The municipality had the following bank accounts and cash on hand:

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
Standard Bank Limited - current account - 024-0923-804	89 076	136 971	613 005	89 076	136 435	601 849
First National Bank - call account - 62016341208	-	1 294	285 492	-	1 294	285 492
First National Bank - call account - 62047254272	-	2 261	2 187	-	2 261	2 187
ABSA Bank Limited - call account - 93-1699-1956	-	-	1 001	-	-	1 001
Standard Bank Limited - call account - 508871603-002	-	-	2 086	-	-	2 086
Standard Bank Limited - call account - 508871603-007	-	-	23 280	-	-	23 280
Standard Bank Limited - call account - 508871603-011	-	787	-	-	787	-
First National Bank - medium term deposit - 7100-2746-116	6 349	6 018	5 769	6 349	6 018	5 769
Cash on hand	1 968	1 000	1 229	1 968	1 000	1 229
Total	**97 393**	**148 331**	**934 049**	**97 393**	**147 795**	**922 893**

The following investment accounts were opened and matured during the 2017/18 financial year (i.e. the opening and closing balances at the respective reporting dates were nil):

Standard Bank Limited - call account - 508871603-012
Nedbank - call account - 03/7881102918/45
Nedbank - call account - 03/7881102918/46

4. Receivables from exchange transactions

Deposits	-	348
Irregular expenditure	361 123	251 571
Trade receivables	11 063 083	12 456 913
	11 424 206	**12 708 832**

The irregular expenditure to be recovered has not yet been recovered, however the receivable has been impaired for those councillors who are no longer at the municipality. During the year, impairment was decreased - see note 30 - as one of the councillors is still employed by the state and it is considered possible to recover the amounts owed.

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.

4. Receivables from exchange transactions (continued)

Trade receivables - ageing

	2018	2017
Current (0 - 30 days)	689 577	936 473
31 - 60 Days	102 206	1 194 724
61 - 90 Days	410 918	229 156
+ 90 Days	10 353 408	10 342 213
Allowance for impairment	(493 026)	(245 653)
	11 063 083	**12 456 913**

Summary of receivables by customer classification

30 June 2018

	Other	Organs of state	Total
Current (0 - 30 days)	20 693	668 884	689 577
31 - 60 Days	16 190	86 016	102 206
61 - 90 Days	12 523	398 395	410 918
+ 90 Days	486 437	9 866 971	10 353 408
Allowance for impairment	(493 026)	-	(493 026)
	42 817	**11 020 266**	**11 063 083**

Summary of receivables by customer classification

30 June 2017

	Other	Organs of state	Total
Current (0 - 30 days)	26 818	909 655	936 473
31 - 60 Days	10 970	1 183 754	1 194 724
61 - 90 Days	148 060	81 096	229 156
+ 90 Days	183 503	10 158 712	10 342 215
Allowance for impairment	(245 655)	-	(245 655)
	123 696	**12 333 217**	**12 456 913**

Other refers to ex-employees, recoveries from staff members of fruitless and wasteful expenditure, the John Taolo Gaetsewe Development Trust and any ad hoc transactions with entities in the private sector.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade and other receivables past due but not impaired

Impairment is provided for on all individual accounts which are more than 1 month past due; if these are identified as being high risk current amounts may be impaired. National and provincial government accounts are not impaired. At 30 June 2018, R 10 351 382 (2017: R11 423 562) were past due but not impaired.

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

1 month past due	86 016	1 183 754
2 months past due	398 395	81 096
3 months or more past due	9 866 971	10 158 712

Figures in Rand	2018	2017

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions impaired

The amount of the allowance for impairment was R493 027 as of 30 June 2018 (2017: R 245 655).

The ageing of the receivables impaired (gross) is as follows:

Current (0 - 30 days)	8 991	18 336
31 - 60 Days	9 561	10 970
61 - 90 Days	10 039	148 060
+ 90 Days	464 435	185 353

Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	245 654	103 636
Trade receivables	247 373	142 018
	493 027	**245 654**

Please refer to the note 30 for details of additional amounts impaired.

5. Grant receivable

Equitable share	1 041 000	-

R1 041 000 was withheld from the Equitable share allocation in 2017/18. Based on correspondence from Treasury, this related to unspent amounts on several conditional grants, however, this contradicts the records of the Municipality. The Municipality will continue to engage with Treasury on this matter in 2018/19.

6. VAT receivable / (payable)

VAT receivable	-	1 029 781
VAT payable	(422 727)	-
	(422 727)	**1 029 781**

The VAT became a liability once the outcomes of the VAT audit were recognised; this was previously reported as a contingent liability - see note 37, where the amount raised is shown as R2 263 984. This is made up of penalties and additional assessments of R1 915 603, reflected under note 33, and the interest of R348 381 is shown under note 29.

Figures in Rand	2018	2017

7. Inventories

Properties to be transferred	8 491 346	10 340 796

The inventory is made up of properties which are to be transferred to local municipalities or beneficiaries of RDP housing projects. Such properties are reported as Inventories until there is clear evidence of a new title deed being issued in the name of a third-party.

Consideration was given to the current replacement cost; new valuation rolls in the relevant areas were not yet available, therefore, the 2014 valuation roll values were used and adjusted for Consumer Price Inflation.

During the 2017/18 financial year, the municipality engaged with COGHSTA and local municipalities in order to determine the mechanism to effect these transfers. COGHSTA transferred a number of properties, the related expenditure is shown under Transfers and subsidies - Cost of properties transferred in note 32. This process is still on-going.

It was found that some of the properties recognised in prior years had already been transferred, and it was incorrect to raise these - please refer to error 9 in note 43.

Inventory pledged as security

Inventory was not pledged as security.

8. Biological assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	6 842 282	-	6 842 282	5 461 827	-	5 461 827

Reconciliation of biological assets - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	5 461 827	1 380 455	6 842 282

Reconciliation of biological assets - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	1 774 500	3 687 327	5 461 827

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Biological assets (continued)

Non - Financial information

Quantities of each biological asset		
Blesbok	21	15
Blue wildebeest	650	494
Duiker	4	5
Eland	81	47
Gemsbok	258	178
Greater Kudu	1	-
Ibex	13	6
Ostrich	45	17
Red hartebeest	34	49
Springbuck	201	37
Warthog	3	2
Zebra	42	41
	1 353	**891**

The biological assets were valued by an independent, professional valuer, JBFE Consulting (Pty) Ltd, on 3 August 2018.

Game is valued using officially listed and publicised game auction data and numbers. An active market exists for game but some species have no commercial value and are counted but not valued for trading. These are reflected in the listing below.

Animals with no commercial value

Bat-eared fox	5	2
Black backed jackal	-	5
Vultures	7	7
	12	**14**

Domestic animals on the farm are known to belong to members of the community, and are not considered to be assets of the municipality.

The key assumption in the valuation method used is that genetic variation in species are excluded from the valuation. This means that rare species types sales values are excluded as their pricing is not a fair reflection of the game populations value.

The increase could be due to changes in environmental factors such as rainfall, which resulted in an incline in population numbers.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Pledged as security

The biological assets are not pledged as security.

Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	6 664 000	-	6 664 000	6 664 000	-	6 664 000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	6 664 000	6 664 000

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	5 080 000	1 584 000	6 664 000

Pledged as security

The investment property is not pledged as security.

Details of property

	2018	2017
Erf 2617 - Kuruman - Campus Freehold ownership property in the Kuruman registration division. Site area is 1190m². Title deed No. T1049/1993, previously T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106.		
- Valuation since purchase	3 200 000	3 200 000
Erf 938 Kuruman - Offices let to the John Taolo Gaetsewe Development Trust Property in the Northern Cape province with title deed number T416/1996. Site area is 1190m².		
- Purchase price: 1 December 2008	182 400	182 400
- Additions since purchase or valuation	1 917 600	1 917 600
	2 100 000	**2 100 000**
Erf 4439 Kuruman - Vacant stand Property in the Northern Cape province with title deed number T26/2011 previously T25/2011. Site area is 17052m².		
- Valuation since purchase	1 364 000	1 364 000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Investment property (continued)

Details of valuation

Revaluations were performed by an independent valuer, DDP Valuers, in August 2018. DDP Valuers is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The market value of erven 2617, 938, was determined using the capitalisation method of valuation to discount market related rentals using a capitalisation rate of 10%.

The market value of erf 4439 was determined with reference to recent sales of similar properties in the area.

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.

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	21 285 265	(1 068 934)	20 216 331	21 284 277	(6 433)	21 277 844
Community assets - buildings	910 000	(45 500)	864 500	910 988	-	910 988
Community assets - land	38 590 000	-	38 590 000	38 590 000	-	38 590 000
Disaster unit - building	2 536 834	(126 842)	2 409 992	2 536 834	-	2 536 834
Disaster unit - land	580 000	-	580 000	580 000	-	580 000
Furniture and fixtures	4 524 188	(1 922 941)	2 601 247	4 674 098	(1 756 120)	2 917 978
IT equipment	5 736 431	(3 631 146)	2 105 285	5 627 167	(3 187 318)	2 439 849
Land	2 680 000	-	2 680 000	2 680 000	-	2 680 000
Leased assets	680 848	(23 849)	656 999	699 406	(679 327)	20 079
Motor vehicles	7 582 243	(4 213 751)	3 368 492	8 211 402	(4 714 733)	3 496 669
Office equipment	476 726	(283 642)	193 084	500 849	(249 431)	251 418
Other property, plant and equipment	119 576	(49 048)	70 528	112 407	(35 864)	76 543
Total	**85 702 111**	**(11 365 653)**	**74 336 458**	**86 407 428**	**(10 629 226)**	**75 778 202**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Assets no longer in use	Depreciation	Impairment loss	Total
Buildings	21 278 837	-	-	(1 062 506)	-	20 216 331
Community assets - buildings	910 000	-	-	(45 500)	-	864 500
Community assets - land	38 590 000	-	-	-	-	38 590 000
Disaster unit - building	2 536 834	-	-	(126 842)	-	2 409 992
Disaster unit - land	580 000	-	-	-	-	580 000
Furniture and fixtures	2 918 980	42 800	(3 076)	(324 013)	(33 444)	2 601 247
IT equipment	2 441 714	393 830	(11 491)	(658 227)	(60 541)	2 105 285
Land	2 680 000	-	-	-	-	2 680 000
Leased assets	20 079	680 848	-	(43 928)	-	656 999
Motor vehicles	3 496 669	1 272 000	(500 429)	(718 543)	(181 205)	3 368 492
Office equipment	248 642	-	(526)	(48 499)	(6 533)	193 084
Other property, plant and equipment	76 453	9 889	-	(15 440)	(374)	70 528
	75 778 208	**2 399 367**	**(515 522)**	**(3 043 498)**	**(282 097)**	**74 336 458**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Assets no longer in use	Transfers	Revaluations	Depreciation	Total
Buildings	18 031 397	8 631	-	-	3 909 189	(670 380)	21 278 837
Community assets - buildings	504 000	-	-	-	424 667	(18 667)	910 000
Community assets - land	33 840 000	-	-	-	4 750 000	-	38 590 000
Disaster unit - building	2 278 958	-	-	-	342 282	(84 406)	2 536 834
Disaster unit - land	521 042	-	-	-	58 958	-	580 000
Furniture and fixtures	3 232 812	103 360	(23 759)	-	-	(393 433)	2 918 980
IT equipment	2 621 408	517 648	(28 925)	(1 634)	-	(666 783)	2 441 714
Land	1 494 000	-	-	-	1 186 000	-	2 680 000
Leased assets	252 888	-	-	-	-	(232 809)	20 079
Motor vehicles	4 396 689	-	-	-	-	(900 020)	3 496 669
Office equipment	297 225	-	-	1 634	-	(50 217)	248 642
Other property, plant and equipment	91 234	-	(41)	-	-	(14 740)	76 453
	67 561 653	**629 639**	**(52 725)**	**-**	**10 671 096**	**(3 031 455)**	**75 778 208**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Assets subject to finance lease (net carrying amount)

Office equipment	656 999	20 072

Revaluations

The effective date of the revaluations was 30 June 2017. Revaluations were performed by independent valuer, DDP Valuers.

The valuations were performed with reference to similar recent sales in the area, and used a 10% discount rate.

These assumptions were based on current market conditions.

Figures in Rand	2018	2017

10. Property, plant and equipment (continued)

Other information

Details of properties

Farm Surprise No. 33

Surprise 33/0 in extent 3102.0849 hectares, Kuruman Rd, Northern Cape Province. Title Deed T2848/2007

The farm is situated in the John Taolo Municipal District, adjacent to the town Van Zyls Rus.

The value of the land is estimated at R10 240 000, and the structures at R660 000 (before depreciation)..

	2018	2017
- Opening balance	10 900 000	8 959 000
- Revaluation	-	1 954 667
- Depreciation	(33 000)	(13 667)
	10 867 000	**10 900 000**

Farm Ptn 70 of Kalahari-Oos No. 410

Farm Ptn 70 of Kalahari-Oos no. 410 in extent 6808.2158 hectares, Kuruman RD, Northern Cape Province. Title Deed T4150/2005

The farm is situated in the John Taolo Municipal District, about 40km from Van Zyls Rus towards Hotazel and Kuruman.

The value of the land is estimated at R 23 150 000; and the structures at R250 000 (before depreciation).

	2018	2017
- Purchase price	23 400 000	21 185 000
- Revaluation	-	2 220 000
- Depreciation	(12 500)	(5 000)
	23 387 500	**23 400 000**

Farm of Chakwana No. 200

Farm of Chakwana no. 200 in extent 959.5054 hectares, Kuruman Rd, Northern Cape Province. Title Deed T3507/2002

The farm is situated in Kuruman Rural District about 80km from Kuruman towards Vryburg.

The value of the land is estimated at R5 200 000; the farm does not have structures.

	2018	2017
- Opening balance	5 200 000	4 200 000
- Revaluation	-	1 000 000
	5 200 000	**5 200 000**

Figures in Rand	2018	2017

10. Property, plant and equipment (continued)

Erf 1973 - District Municipal Workshop

Freehold ownership property in the Kuruman registration division. Site area is 8565sqm. Title deed No. T504/1947. Registration date was 4 June 1947 with conditions and servitudes in accordance with I454/1956.

The value of the land is estimated at R 1 030 000 and the value of the building is R2 234 962 (before depreciation).

	2018	2017
- Opening balance	3 264 962	3 867 800
- Revaluation	-	(475 435)
- Depreciation	(111 748)	(127 403)
	3 153 214	**3 264 962**

Erf 4471 - District Municipal offices

Freehold ownership property in the Kuruman registration division. Site area is 4760sqm. Title deed No. T4295/2005. Registration date was September 2005 with condition and servitudes in accordance with Erf 4471 which is a consolidation of erven 943 and 2595.

The value of the land is estimated at R1 650 000; and the building R18 933 075 (before depreciation).

	2018	2017
- Opening balance:	20 583 075	15 540 647
- Additions	-	8 631
- Depreciation	(946 654)	(536 822)
- Revaluation	-	5 570 619
	19 636 421	**20 583 075**

Erf 940 - Disaster Unit

Freehold ownership property in the Kuruman registration division. Site area is 833sqm. Title deed No. T416/1996. Registration date was 5 March 1996.

This property was formerly classified as investment property, however it is owner occupied.

The value of the land is estimated at R 580 000; the value of the building is R2 536 834 (before depreciation).

	2018	2017
- Opening Balance	3 116 834	2 800 000
- Revaluation	-	401 240
- Depreciation	(126 842)	(84 406)
	2 989 992	**3 116 834**

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.

11. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	985 206	(593 708)	391 498	1 606 125	(1 129 636)	476 489

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Assets not in use	Other changes, movements	Amortisation	Total
Computer software	476 489	9 898	(15 434)	16 543	(95 998)	391 498

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Assets not in use	Amortisation	Total
Computer software	489 490	171 891	(16 544)	(168 348)	476 489

Pledged as security

The intangible assets are not pledged as security.

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

12. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council regalia	19 750	-	19 750	19 750	-	19 750

Reconciliation of heritage assets 2018

	Opening balance	Total
Council regalia	19 750	19 750

Reconciliation of heritage assets 2017

	Opening balance	Total
Council regalia	19 750	19 750

Pledged as security

The heritage assets are not pledged as security.

Expenditure incurred to repair and maintain heritage assets

No such expenditure was incurred in relation to heritage assets.

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Payables from exchange transactions

Accrued bonus	1 368 909	1 256 628
Accrued expenses	(7 200)	222 238
Accrued leave pay	4 148 121	3 486 133
Debtors with credit balances	39	955
Fleet card	54 525	46 284
Payments received in advanced - contract in process	862 744	949 719
Payroll related liabilities at year end	273 903	2 092 136
Retention creditors	14 027	14 027
Trade payables	7 058 754	5 175 052
Water monitoring	86 054	86 054
	13 859 876	**13 329 226**

Payables are recognised net of any discounts.

As far as possible, payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

14. Finance lease obligation

Minimum lease payments due		
- within one year	382 944	22 322
- in second to fifth year inclusive	702 064	-
	1 085 008	22 322
less: future finance charges	(426 420)	(170)
Present value of minimum lease payments	**658 588**	**22 152**

Present value of minimum lease payments due		
- within one year	161 846	22 152
- in second to fifth year inclusive	496 742	-
	658 588	**22 152**

Non-current liabilities	496 742	-
Current liabilities	161 846	22 152
	658 588	**22 152**

These amounts are presented exclusive of VAT; the VAT amounts to R57 442 payable within one year, and R105 310 in 2-5 years.

The average period of the leases is 3 years.

15. Other financial liabilities

At amortised cost		
DBSA loan The loan accrues interest at a fixed rate of 9.64% (2015: 9.64%), and is repayable in 30 bi-annual instalments of R197 561 over 15 years.	1 483 203	1 735 806

Non-current liabilities		
At amortised cost	1 007 987	1 285 538

Current liabilities		
At amortised cost	475 216	450 268

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Unspent conditional grants and receipts and grants receivable

Unspent conditional grants	616 643	683 609
Grants receivable	(1 041 000)	-
	(424 357)	**683 609**

Unspent conditional grants and receipts comprises of:

Expanded public works programme - brick making	-	2 620
Fire grant	85 890	94 990
HIV and AIDS council	123 941	290 273
Housing accreditation grant	-	-
Khotso Pula Nala	-	31 619
Near grant	312 757	238 050
Rural road asset management grant	94 055	-
Vanzylsrus sports field grant	-	26 057
	616 643	**683 609**

The balance of the Rural roads asset management grant (R94 055) was not approved for use in the 2018/19 financial year and, therefore, will be returned to the National Revenue Fund in 2018/19.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations

The employee benefit obligations relate to post-retirement medical aid benefits provided and long service awards.

Post-retirement medical aid benefit:

The municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council, or the terms of employment prevailing at the time the employees retired. The municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals.

The actuarial valuation of the present value of the obligation at 30 June 2018 was carried out by Arch Actuarial Consulting in June 2018. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

	2018	2017
Present value of unfunded obligation at the beginning of the year	1 978 157	4 053 010
Net actuarial gains or losses	109 168	(2 147 945)
Difference between expected and actual current service costs	(220 152)	(261 320)
Interest cost	161 088	334 412
	2 028 261	**1 978 157**

	2018	2017
Non-current liabilities	1 790 900	1 758 005
Current liabilities	237 361	220 152
	2 028 261	**1 978 157**

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	9.04 %	8.61 %
Health care cost inflation rate	7.23 %	6.91 %
Net effective discount rate	1.69 %	1.59 %

The discount rate is calculated by using a weighted average of yields for the three components of the liability (In-service members' retirement liability, death-in-service liability, continuation members' liability). Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Mortality rates are determined by the PA 90 ultimate table, rated down by 1 year of age used by actuaries.

The normal retirement age for employees of the municipality is 63 years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates and the discount rate have a significant effect on the amounts recognised in surplus or deficit. Based on the assumptions used, the liability was valued at R2 028 261. If these assumptions were to change, it would have a significant impact on the valuation. All else equal, a one percent increase in the health care inflation rate would result in the liability being valued at R2 170 000; a one percent decrease would result in the liability being valued at R1 900 000. All else equal, if the discount rate used were to increase by one percent, the liability would have been valued at R1 903 000; a one percent decrease would result in the liability being valued at R2 169 000. This sensitivity analysis is reflected in the table below:

	One percentage point increase	**One percentage point decrease**
Health care inflation	2 170 000	1 900 000
Discount rate	1 903 000	2 169 000

The liability in respect of the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Continuation members	2 028 261	1 978 157	4 053 010	5 077 446	4 899 789

Long service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 managers are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The actuarial valuation of the present value of the obligation at 30 June 2018 was carried out by Arch Actuarial Consulting CC in June 2018. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

	2018	2017
Present value of unfunded obligation at the beginning of the year	2 601 547	2 342 265
Net actuarial gains or losses	182 760	(70 528)
Difference between expected and actual current service costs	(140 717)	138 071
Interest cost	197 081	191 739
	2 840 671	**2 601 547**

	2018	2017
Non-current liabilities	2 336 157	2 286 202
Current liabilities	504 514	315 345
	2 840 671	**2 601 547**

Figures in Rand	2018	2017

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2018	2017
Actuarial (gains) losses	182 760	(70 528)
Current service cost	(140 717)	328 012
Interest cost	197 081	191 739

Key assumptions used

	2018	2017
Discount rates used	8.63%	8.29%
General salary inflation (long term)	6.37%	6.11%
Net effective discount rate	2.12%	2.05%

The discount rate is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 2.62%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2017.

The liability-weighted average term of the total liability is 6.41 years.

182 760.00

Other assumptions

Assumed general salary inflation and the discount rate have a significant effect on the amounts recognised in surplus or deficit.

All else equal, a one percent increase in the salary inflation rate would result in the liability being valued at R3 008 000; a one percent decrease would result in the liability being valued at R2 689 000. All else equal, if the discount rate used were to increase by one percent, the liability would have been valued at R2 682 000; a one percent decrease would result in the liability being valued at R3 018 000. This sensitivity analysis is reflected in the table below:

	One percent age point increase	**One percentage point decrease**
General salary inflation	3 008 000	2 689 000
Discount rate	2 682 000	3 018 000

	2018	2017	2016	2015	2014
Eligible employees	2 840 671	2 601 547	2 342 265	2 318 126	2 003 272

18. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Compensation for occupational injuries and disease	2 093 713	316 046	2 409 759

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Compensation for occupational injuries and disease	1 756 535	337 178	2 093 713

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Provisions (continued)

The provision for the compensation for occupational injuries and diseases tariff reflects managements best estimate of the potential liability. The provision is calculated based on actual employee costs per employee, limited to the threshold stipulated, divided by 100 and multiplied by the applicable tariff for municipalities.

19. Revaluation reserve

	2018	2017
Opening balance	55 386 620	44 715 529
Change during the year	-	10 671 091
	55 386 620	**55 386 620**

The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment.

20. Rental of facilities and equipment

	2018	2017
Premises	105 916	89 515

21. Administration and management fees received

	2018	2017
Product related services	2 085 674	1 941 946
Refunds	126 539	376 246
Telephone	51 563	53 522
Training	49 587	100 845
District planning tribunal	235 000	225 000
	2 548 363	**2 697 559**

22. Interest received

	2018	2017
Interest revenue		
Bank	210 781	268 754
Receivables from exchange transactions	1 143 330	1 539 751
	1 354 111	**1 808 505**

23. Sale of goods

	2018	2017
Sale of building materials	75 000	-

The above transaction relates to the sale of bricks to Ga-segonyana Local Municipality; these were items remaining from housing related projects, and this is a not a routine transaction type for the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies

Operating grants

Equitable share	71 799 000	66 326 000
Expanded public works programme - brick making	-	252 049
Expanded public works programme incentive grant	1 000 000	1 000 000
Financial management grant	1 250 000	1 250 000
Fire grant	9 100	-
HIV and AIDS council	166 332	203 677
Housing accreditation grant	950 000	700 000
Infrastructure skill development grant	3 200 000	3 000 000
Near grant	275 293	210 142
Rural road asset management grant	1 884 945	1 823 000
Vanzylsrus sports field grant	-	59 205
	80 534 670	**74 824 073**

Reconciliation of grants from National / Provincial Government

Operating grants

National government	79 133 945	73 399 000
Provincial government	1 400 725	1 425 073
	80 534 670	**74 824 073**

Reconciliation of conditional and unconditional grants

Conditional grants received	8 735 670	8 498 073
Unconditional grants received	71 799 000	66 326 000
	80 534 670	**74 824 073**

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable share	71 799 000	66 326 000
Executive and council	166 332	203 677
Budget and treasury	1 250 000	1 250 000
Community and social services	284 393	210 142
Housing	950 000	700 000
Basic services and infrastructure	6 084 945	6 134 254
	80 534 670	**74 824 073**

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Equitable share

Current-year receipts	70 758 000	63 527 000
Prior year unspent amounts forfeited	-	2 799 000
Transferred to revenue	(71 799 000)	(66 326 000)
Net grant receivable	**(1 041 000)**	**-**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

R1 041 000 was withheld from the grant - see note 5.

Expanded public works programme - brick making

Balance unspent at beginning of year	2 621	254 670
Conditions met - transferred to revenue	-	(252 049)
Recognised as a donation in kind	(2 621)	-
Net of unspent grants	**-**	**2 621**

The grant was used to procure materials and labour for use in the making of bricks. During the year, council resolved that the final amount outstanding be recognised as revenue as this project has concluded (see note 25).

Expanded public works programme - incentive grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
Net of unspent/(unpaid) grants	**-**	**-**

The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.

Financial management grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
Net of unspent grants	**-**	**-**

The financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA. The financial management grant was also used for the cost of the Financial Management Internship Programme (e.g. salary costs of the financial management interns).

Fire grant

Balance unspent at beginning of year	94 990	94 990
Conditions met - transferred to revenue	(9 100)	-
Net of unspent grants	**85 890**	**94 990**

Kuruman is prone to natural disasters, mainly fires. This grant was used to assist local municipalities to upgrade and render a fire service.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Housing accreditation grant

Current-year receipts	950 000	700 000
Conditions met - transferred to revenue	(950 000)	(700 000)
Net of unspent/(receivable) grants	**-**	**-**

The housing grant was utilised for the development of erven and the erection of top structures.

HIV and AIDS council

Balance unspent at beginning of year	290 273	243 950
Current-year receipts	-	250 000
Conditions met - transferred to revenue	(166 332)	(203 677)
Net of unspent grants	**123 941**	**290 273**

The grant was used for HIV and AIDS awareness programmes.

Infrastructure skill development grant

Balance unspent at beginning of year	-	2 788 327
Current-year receipts	3 200 000	3 000 000
Conditions met - transferred to revenue	(3 200 000)	(3 000 000)
Withheld from the equitable share	-	(2 788 327)
Net of unspent grants	**-**	**-**

The grant was used to employ interns for training in civil engineering, building inspections and town planning.

Khotso Pula Nala

Balance unpaid at beginning of year	31 619	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(1 968 381)
Recognised as a donation in kind	(31 619)	-
Net of unpaid grants	**-**	**31 619**

The grant related to infrastructure projects at the local municipalities in the district; these have since been completed, and, therefore, the remaining balance was recognised as revenue (see note 25).

Near grant

Balance unspent at beginning of year	238 050	98 193
Current-year receipts	350 000	350 000
Conditions met - transferred to revenue	(275 293)	(210 143)
Net of unspent grants	**312 757**	**238 050**

The grant was used to maintain the disaster management centre.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

Rural road asset management grant

Balance unspent at beginning of year	-	10 673
Current-year receipts	1 979 000	1 823 000
Conditions met - transferred to revenue	(1 884 945)	(1 823 000)
Withheld against the equitable share	-	(10 673)
	94 055	**-**

This grant is gazetted in the DORA to establish a road asset management system. The municipality uses these funds to employ interns to analyse and report on road usage.

The balance of the grant will be returned to the National Revenue Fund in 2018/19, see note 41.

Vanzylsrus sports field grant

Balance unspent at beginning of year	26 057	85 262
Conditions met - transferred to revenue	-	(59 205)
Recognised as a donation in kind	(26 057)	-
Net of unspent grants	**-**	**26 057**

The grant was used to build a sports field at Vanzylsrus; this project concluded in the prior year, and the balance was recognised to revenue (see note 25).

Total Grants

Balance unspent at beginning of year	683 609	3 607 683
Current-year receipts	80 528 000	71 900 000
Conditions met - transferred to revenue	(80 594 967)	(74 824 074)
Recognised as donations in kind	(60 296)	-
Net of unspent grants	**556 346**	**683 609**

Changes in level of government grants

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

25. Donations in kind

Expanded public works programme - brick making grant	2 620	-
Khotso Pula Nala grant	31 619	-
Vanzylsrus sports field grant	26 057	-
	60 296	**-**

The balances of the unspent grants above were recognised as revenue as the municipality has no obligation to repay the grantor, and the related projects have been completed to the satisfaction of council (see the reconciliation of the balances under note 24).

Figures in Rand	2018	2017

26. Employee related costs

Acting allowance	1 759 977	1 777 700
Basic	35 789 510	34 161 339
Bonus	2 332 561	2 172 559
Cellular phone allowance	244 544	250 025
Change in valuation of employee benefit obligations	(68 941)	(2 341 722)
COIDA contribution	316 046	337 178
Contribution industrial council	9 281	8 447
Contribution pension fund	5 028 924	4 525 155
Contribution provident fund	317 538	283 051
Housing benefits and allowances	1 619 408	1 584 630
Inconvenience allowance	66 566	65 578
Leave pay provision charge	1 515 607	1 348 634
Long-service awards	249 669	-
Medical aid - company contributions	2 813 205	2 578 875
Nightshift allowance	388 940	191 329
Performance bonus	-	47 842
Skills development levy	492 275	470 143
Travel allowance	2 434 676	2 072 153
Unemployment insurance fund	192 468	190 785
	55 502 254	**49 723 701**

Remuneration of municipal manager: D.H. Molaole

Annual Remuneration	389 802	-
Car Allowance	9 600	-
Cellular phone allowance	6 400	-
	405 802	**-**

Mr Molaole was appointed to the position of municipal manager from 1 March 2018.

Remuneration of municipal manager: M.P.Bokgwathile

Annual remuneration	-	180 319
Car allowance	-	14 000
Cellular phone allowance	-	3 200
Municipal contributions to funds	-	297
Leave paid out	-	176 923
	-	**374 739**

Ms M.P. Bokgwathile vacated the position of municipal manager on 31 August 2016.

Remuneration of chief finance officer: G.P. Moroane

Annual remuneration	840 482	838 359
Car allowance	112 800	56 000
Cellular phone allowance	19 200	18 400
Remote allowance	22 403	-
Municipal contributions to funds	1 785	446
Back pay	80 468	-
	1 077 138	**913 205**

Ms G.P. Moroane was appointed CFO from 18 July 2016.

Figures in Rand	2018	2017

26. Employee related costs (continued)

Remuneration of acting chief finance officer: S.S. French-Sulliman

Annual Remuneration	124 828	-
Car Allowance	17 283	-
Cellular phone allowance	1 600	-
Housing allowance	3 044	-
Municipal contributions to funds	23 694	-
Acting allowance	82 265	-
	252 714	**-**

Ms S. French-Sulliman was acting in the capacity of CFO from 1 October to 30 November 2017; the remuneration above is for this period only.

Remuneration of acting chief financial officer: T. Motlhanke

Annual Remuneration	-	24 127
Car Allowance	-	3 530
Cellular phone allowance	-	486
Housing allowance	-	924
Municipal contributions to funds	-	6 219
Acting allowance	-	17 663
	-	**52 949**

In 2016/17, Mr T.Motlhanke was acting CFO from 8 February to 24 February 2017. The remuneration reflected above is pro-rated for 17 days of 28, except for the acting allowance.

Remuneration of director of community services: T.H. Matlhare

Annual remuneration	732 067	744 803
Car allowance	129 600	100 800
Cellular phone allowance	19 200	19 200
Remote allowance	20 183	-
Municipal contributions to funds	1 190	-
Back pay	72 494	30 000
Acting allowance	157 967	9 452
	1 132 701	**904 255**

Mr T. Matlhare was acting in the position of municipal manager from 01 December 2017 - 28 February 2018.

Figures in Rand	2018	2017

26. Employee related costs (continued)

Remuneration of director of corporate and human resources (corporate services): M. Eilerd

Annual remuneration	64 499	780 288
Car allowance	17 400	180 000
Cellular phone allowance	1 600	19 200
Municipal contributions to funds	157	1 877
Back pay	-	52 500
Leave paid out	102 166	-
Acting allowance	-	315 934
	185 822	**1 349 799**

Mr M. Eilerd vacated the position of director corporate services on 31 July 2017.

Mr G. van der Westhuisen was subsequently appointed to act in the position of director of corporate services.

Mr M. Eilerd was acting in the position of municipal manager from 1 September 2016 to 28 February 2017.

Mr M. Molusi was subsequently appointed to act in the position of municipal manager.

Remuneration of acting director of corporate and human resources (corporate services): G. van der Westhuisen

Annual Remuneration	582 211	178 034
Car Allowance	109 414	17 878
Cellular phone allowance	9 600	2 400
Housing allowance	18 264	4 566
Municipal contributions to funds	142 188	31 656
Acting allowance	164 815	107 998
	1 026 492	**342 532**

Mr G. van der Westhuisen was acting in the position of director of corporate services from 1 July 2017 to 30 June 2018.

In the prior year, Mr G. van der Westhuisen was acting in the position of director of corporate services from 1 September to 31 November 2016.

Remuneration of acting director of development and planning: K.K. Teise

Annual remuneration	798 118	790 924
Car allowance	169 764	140 964
Cellular phone allowance	19 200	19 200
Remote allowance	22 580	-
Municipal contributions to funds	1 785	1 785
Back pay	73 511	51 813
Leave paid out	47 036	62 715
Acting allowance	21 534	-
	1 153 528	**1 067 401**

Mr K Teise was acting in the position of municipal manager on an ad hoc basis during 2017: 21-22 September; 28 September to 2 October; 10 October, 12-17 October, 8-10 November.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs (continued)

Remuneration of acting director of infrastructure: M.W. Molusi

Annual remuneration	793 788	787 561
Car allowance	148 800	120 000
Cellular phone allowance	19 200	19 200
Remote allowance	21 966	-
Municipal contributions to funds	1 785	1 785
Back pay	71 531	51 226
Acting allowance	263 279	221 548
	1 320 349	**1 201 320**

Mr M. Molusi was acting in the position of municipal manager from 1 March 2017.

Remuneration of head of internal audit: S.D. Sethibe

Annual remuneration	-	150 645
Car allowance	-	16 453
Cellular phone allowance	-	2 400
Housing allowance	-	4 566
Municipal contributions to funds	-	446
Leave paid out	-	39 067
	-	**213 577**

Mr S.D. Sethibe vacated the position of head of internal audit on 30 September 2016; this post has been abolished.

27. Remuneration of councillors

Executive mayor	840 313	729 403
Speaker	681 131	595 455
Mayoral committee members	1 717 160	1 630 570
Councillors	1 598 653	1 058 216
	4 837 257	**4 013 644**

During the prior year, councillors received R169 115 in excess of the prescribed limits for the remuneration of councillors; this has been recorded as irregular expenditure, which is to be recovered from the affected councillors.

Note, the table above combines the remuneration of all council members who were active during the year, including members of the out-going council in the prior year, who were not re-appointed.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Remuneration of councillors (continued)

In-kind benefits

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor has use of a council owned vehicle for official duties.

Executive mayor: S. Mosikatsi

Councillor allowance	572 183	462 040
Transport allowance	146 518	178 952
Municipal contributions to funds	77 213	63 943
Cellphone allowance	40 800	20 868
Mobile data allowance	3 600	3 600
	840 314	**729 403**

Speaker: S.B. Gaobusiwe

Councillor allowance	-	57 092
Transport allowance	-	24 868
Municipal contributions to funds	-	4 865
Cellphone allowance	-	3 478
Mobile data allowance	-	600
	-	**90 903**

Speaker: P.Q. Mogatle

Councillor allowance	489 701	420 284
Transport allowance	88 618	63 879
Municipal contributions to funds	58 412	-
Cellphone allowance	40 800	17 390
Mobile data allowance	3 600	3 000
	681 131	**504 553**

Member of the mayoral committee: G.C. Assegaai

Councillor allowance	351 703	278 335
Cellphone allowance	20 400	7 825
Mobile data allowance	1 800	1 350
	373 903	**287 510**

Member of the mayoral committee: O.E. Hantise

Councillor allowance	50 640	265 721
Transport allowance	-	14 477
Cellphone allowance	1 739	7 825
Mobile data allowance	300	1 350
	52 679	**289 373**

Member of the mayoral committee: M.E. Mochwari

Councillor allowance	-	53 524
Transport allowance	-	23 313
Municipal contributions to funds	-	4 561
Cellphone allowance	-	3 478

Figures in Rand	2018	2017

27. Remuneration of councillors (continued)

Mobile data allowance	-	600
	-	**85 476**

Member of the mayoral committee: O.C. Mogodi

Councillor allowance	-	53 524
Transport allowance	-	23 313
Municipal contributions to funds	-	7 441
Cellphone allowance	-	3 478
Mobile data allowance	-	600
	-	**88 356**

Member of the mayoral committee: K.F. Masilabele

Councillors allowance	572 435	419 537
Municipal contributions to funds	32 407	-
Cellphone allowance	40 800	17 390
Mobile data allowance	3 600	3 000
	649 242	**439 927**

Member of the mayoral committee: O.G. Monaki

Councillors allowance	585 743	419 537
Municipal contributions to funds	11 193	-
Cellphone allowance	40 800	17 390
Mobile data allowance	3 600	3 000
	641 336	**439 927**

Chairperson of MPAC: V. Makoke (part-time)

Councillor allowance	-	27 475
Transport allowance	-	11 968
Municipal contributions to funds	-	2 341
Cellphone allowance	-	3 478
Mobile data allowance	-	600
	-	**45 862**

Councillor - A. Mwembo

Councillor allowance	-	24 621
Transport allowance	-	9 325
Cellphone allowance	-	3 478
Mobile data allowance	-	600
	-	**38 024**

Councillor: J. Rakoi

Councillor allowance	-	24 671
Transport allowance	-	8 798
Cellphone allowance	-	3 478
Mobile data allowance	-	600
	-	**37 547**

Councillor: A. Van Der Westhuizen

Councillor allowance	198 392	161 688

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Remuneration of councillors (continued)

	2018	2017
Transport allowance	53 485	53 896
Cellphone allowance	40 800	20 868
Mobile data allowance	3 600	3 600
	296 277	**240 052**

Councillor: T.G. Anthony

	2018	2017
Councillors allowance	251 877	200 255
Cellphone allowance	40 800	17 390
Mobile data allowance	3 600	3 000
	296 277	**220 645**

Councillor: O.H. Kgopodithata

	2018	2017
Councillors allowance	78 009	47 644
Cellphone allowance	20 400	7 826
Mobile data allowance	1 800	1 350
	100 209	**56 820**

Councillor: T.F. Molwagae

	2018	2017
Councillors allowance	225 760	189 268
Contributions to funds	26 117	-
Cellphone allowance	40 800	17 390
Mobile data allowance	3 600	3 000
	296 277	**209 658**

Councillor: P.T. Ohentswe

	2018	2017
Councillors allowance	216 315	189 268
Contributions to funds	26 117	-
Transport allowance	9 445	-
Cellphone allowance	40 800	17 390
Mobile data allowance	3 600	3 000
	296 277	**209 658**

Councillor S.N. Bloem

	2018	2017
Councillors allowance	296 686	-
Cellphone allowance	15 300	-
Mobile data allowance	1 350	-
	313 336	**-**

28. Depreciation and amortisation

	2018	2017
Property, plant and equipment	3 043 489	3 031 457
Intangible assets	95 998	168 348
	3 139 487	**3 199 805**

29. Finance costs

	2018	2017
Interest on employee benefit obligations	362 548	526 151
Non-current borrowings	185 140	180 167
Penalty interest raised on VAT	348 381	-
	896 069	**706 318**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Debt impairment

Additional amounts impaired	-	33 412
Contributions to debt impairment provision - trade receivables	247 373	142 018
Reduction of debt impairment provision - irregular expenditure	(105 333)	745 037
	142 040	**920 467**

The additional amounts impaired in 2017 relate to interest raised on debtors balances between the council resolution to write off debtors and the actual processing in the ledger.

31. Contracted services

Contractors		
Maintenance of buildings and facilities	87 385	95 652
Maintenance of equipment	171 828	103 512

All repairs and maintenance relate to property, plant and equipment. Service providers are contracted in, and provide their own materials and labour.

32. Transfers and subsidies

Other subsidies		
Cost of properties transferred	1 849 450	-

This relates to the cost of properties transferred to third parties during the current year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Operational costs

Advertising	121 291	49 712
Assessment rates	315 440	202 396
Auditors remuneration	2 670 379	2 866 133
Bad debt written off	2 999	1 612 507
Bank charges	89 425	79 483
Capacity building	2 382	-
Catering	100 866	124 447
Community development and training	88 476	255 660
Communications	66 186	340 745
Conferences and seminars	107 578	60 902
Consulting and professional fees	3 619 835	2 510 113
Donations	-	15 500
Fleet	751 276	571 389
Fuel and oil	6 000	-
Health and occupational awareness	1 100	18 922
Imbizo events	636 062	47 900
Insurance	349 556	317 791
IT expenses	340 000	39 215
Magazines, books and periodicals	1 405	-
Membership fees	52 392	628 301
Postage and courier	7 105	4 645
Printing and stationery	98 344	203 672
Project maintenance costs	6 916 302	10 402 138
Records management	13 800	4 400
Security services	1 336 228	580 000
Staff welfare	58 216	40 238
Study assistance	124 525	32 194
Tea and cleaning	95 703	109 130
Telephone and fax	553 533	596 777
Tourism events	31 885	1 865
Training	188 268	257 539
Travel, subsistence and accommodation	2 246 114	1 871 327
Uniforms	31 599	25 734
VAT penalties and assessments	1 915 603	-
Water and electricity	1 092 980	900 973
Water quality monitoring	51 680	86 048
	24 084 533	**24 857 796**

34. Fair value adjustments

Investment property (Fair value model)	-	1 584 000
Biological assets - (Fair value model)	1 380 455	3 687 552
	1 380 455	**5 271 552**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Cash generated from operations

(Deficit) surplus	(5 195 001)	1 001 790
Adjustments for:		
Depreciation and amortisation	3 139 487	3 199 805
Loss on sale of assets and liabilities	261 412	69 235
Fair value adjustments	(1 380 455)	(5 271 552)
Finance costs	896 069	706 318
Impairment deficit	282 097	-
Debt impairment	142 040	920 467
Movements in provisions	316 046	337 178
Actuarial adjustments	289 228	(1 815 571)
Changes in working capital:		
Inventories	1 849 450	-
Receivables from exchange transactions	1 142 582	3 446 560
Other receivables from non-exchange transactions	(1 041 000)	-
Payables from exchange transactions	530 601	2 356 439
VAT	1 452 508	(1 008 581)
Unspent conditional grants and receipts and grants receivable	(66 966)	(2 924 075)
	2 618 098	**1 018 013**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	147 000	-
Total capital commitments		
Already contracted for but not provided for	147 000	-

The commitments above relate to transactions with non-VAT vendors and, therefore, these represent the full amounts payable.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	22 488	-
- in second to fifth year inclusive	41 228	-
	63 716	**-**

Operating lease payments represent rentals payable by the municipality for certain items of office equipment (printers). Leases are negotiated for an average term of three years and rentals are fixed for that period. The figures above are excluding VAT; the VAT payable in one year will be R3 373, and R6 148 in 2-5 years.

Figures in Rand	2018	2017

37. Contingencies

Contingent liabilities:

Matters disclosed in 2017:

The dispute with DTMH Properties over a breach of contract was settled in the 2017/18 financial year. The settlement amounted to R1 200 000 (2017 estimate: R1 276 544, including fees). The final account for legal fees was R91 467.

The labour dispute with TS Mathabathe is on-going; the possible financial implication of this for the municipality is R372 000 (2017: R372 000).

The municipality is involved in a labour related dispute with two employees:

- Rossouw - R 11 790 per month from April 2017 until retirement / termination of services;
- Van Der Westhuizen - R11 778 per month from April 2017 until retirement / termination of services.
- The estimated costs to defend these cases is R150 000.

The South African Revenue Service (SARS) conducted an audit of the municipality's VAT affairs, and raised penalties and interest to the value of R2,263,984 (2017: R2,357,740). Although the municipality is appealing this, it was considered appropriate to raise the amount as a liability in the current year, resulting in the VAT receivable being reduced. After year end, the municipality has entered in to an arrangement to settle the remaining balance of the liability.

The following are new issues arising in 2018:

The municipality is defending a claim by M.Mosiapoa amounting to R600 000, with estimated legal costs of R150 000.

The municipality has received a claim by Solidarity on behalf of Du Toit, relating to medical aid contributions, amounting to R104 340, with estimated legal costs amounting to R65,660.

Contingent assets

The municipality considers an amount of R127 008 (2017: R147 231) to be a contingent asset at year end; some recoveries were made during the year, and some staff left without this being recovered, which resulted in the decrease. This relates to an error in the processing of salaries, and is considered to be owed by the affected employees. Management is reviewing the process to recover these.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Related parties

Members of key management	Refer to note 26
Councillors	Refer below and to note 27
Subject to significant degree of control by a member of key management	John Taolo Gaetsewe Development Trust

Related party balances

Amounts included in Receivables from exchange transactions regarding related parties		
John Taolo Gaetsewe Development Trust	9 005	4 040

Irregular expenditure, interest and other amounts recoverable from councillors		
T.G Anthony	2 536	2 281
G.C Assegaai	28 654	12 542
S.B. Gaobusiwe	165 788	140 955
O.E. Hantise	161 012	123 862
E.V. Makoke	92 264	68 154
M.E. Mochwari	197 336	148 077
C. Mogodi	177 750	150 998
S Mosikatsi	196 435	174 169
A. Mwembo	69 565	59 224
J. Rakoi	63 094	53 768
A. van der Westhuizen	70 503	62 580

The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; interest is charged on over-due amounts, however this is negligible. The total value of amounts charged for the period was R46 356 (2017: R42 069).

38. Related parties (continued)

All councillors and senior managers are required to declare their business interests annually. Such business interests are listed below:

Councillors:

G.C. Assegaai	Gadikgadi, Aleta Melokoe Trading; Self-Propelled Trading and Projects
S.N. Bloem	Bomme Fefo
O.E Hantise	Gamagara Close Corporation; Olifantshoek Cooperative
V. Jordaan	Moshaweng Integrated Energy
L.L. Kaebis	Sepoane Trading Enterprise
O.H. Kgopodithata	Dipudi Faraway Project
K. Makwati	Kgalagadi Brick Company
P.Q. Mogatle	Pulane Mogatle Trading Enterprise; Ubuntu Botho Shareholder
O.G. Mokweni	Batlharoi Agricultural Corporation
S. Mosikatsi	Gamagara Close Corporation, John Taolo Gaetsewe Development Trust
P. Ohentswe	PJO Contractor, Letso Investment, Perth 1 Shop Station and Shop, Ohentswe Construction, Supply & Training Construction
A.B. van der Westhuizen	ACSB Reaction and PI Services; Kuruman Fotolab; Taylor and Nager Attorneys.

Senior management:

T.H. Matlhare	Just Released Trading 505
D.H. Molaole	Maverick Trading 1640 cc
M.W. Molusi	Bom Transportation Services
K. Teise	Strong Team Construction; Protect 8, Kuruman Development Corporation, United Power Construction

No transactions were entered in to with these entities during the 2018 year.

No transactions were entered in to with these entities during the 2017 year; however an amount of R11 000 was awarded to the Aleta Melokwe Trading, the director of which is Okgethile Frankie Frans. Okgethile Frankie Frans is one of the members of Gadikgadi and as a result is the business partner of G.C. Assegaai in that business.

Those councillors and senior managers not listed above declared that they had no other business interests.

Councillors seconded from local municipalities:

Gamagara Local Municipality

A. Booysen
H. Du Plessis
O.E. Hantise

Ga-segonyana Local Municipality

G.C. Assegaai
S.N. Bloem
K. Makwati
O. Mathibe
N.G. Thupaemang
O.A. Leserwane

Joe Morolong Local Municipality

Notes to the Annual Financial Statements

38. Related parties (continued)

L. Gwai
V. Jordaan
L.L. Kaebis
G. Kaotsane
O.H. Kgopodithata
O.G. Mokweni

39. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

The basis for the budget for the statement of financial performance differs from the actual statement of financial performance in that the statement reflects Repairs and maintenance (R259,213) under Contracted services (as per the Municipal Standard Chart of Accounts classification); further, Operating costs per the statement comprises Transfers and subsidies, Contracted services, and General expenditure per the budget.

.01 - Interest received exceeded the budget as the budget did not consider interest charged to debtors.

.02 - Unspent amounts were rolled forward and applied in the current year; in addition, the budget was incorrectly reduced to reflect the R1 041 000 withheld from the equitable share, however this is still recognised as revenue.

.03 - Donations in kind were raised to reflect unspent provincial allocations which were recognised to revenue without having complied with the stipulations of the grant (i.e. where the related projects were completed to the satisfaction of council, and there was no obligation to repay the funds). This was not considered in the budget.

.04 - Employee related costs were higher than budgeted due to acting allowances for critical posts that could not been filled due to cost containment measures.

.05 – Remuneration of Councillors is higher due to the regrading of the municipality, in terms of which the upper limits for remuneration increase.

.06 - The budget for depreciation and amortisation was based on an incomplete calculation.

.07 - The budget did not provide for impairment of assets, which is inherently unpredictable.

.08 - The budget did not account for interest on the employee benefit obligation as this requires a specialist; in addition, interest was recognised relating to a Value Added Taxation audit in the prior year, which had been disclosed as a contingent liability.

.09 - Debt impairment is not budgeted for in as there is no reasonable basis to estimate this.

.10 - Repairs and maintenance costs were decreased due to cost containment measure.

.11 - Transfers and subsidies were reduced due to cost containment measures. However, an amount of R1.8m was incurred when properties to this value were transferred to beneficiaries and local municipality's. The municipality was unable to estimate this in the budget due to the unusual nature of the transactions.

.12 - Contracted services - these were lower than budgeted for due to cost containment measures.

.13 - General expenditure was reduced as part of the cost containment measures put in place, however these savings were offset by significant penalties relating to the Value Added Tax audit in the prior year.

.14 - No budget was raised for loss on disposal of assets as this is difficult to predict - this relates to assets which could not be verified, or assets which are not in use at year end.

.15 - There were significant fair value gains on the biological assets. It is not practical to estimate this in advance as this would require an expert and is volatile in nature.

Notes to the Annual Financial Statements

39. Budget differences (continued)

Statement of financial position:

.16 - The municipality did not budget for a decrease in the properties held as inventory as it was not possible to estimate how much progress would be made during the year. This also impacted on Transfers and subsidies above.

.17 - Recoveries from debtors have been higher than anticipated, and impairment was increased as well.

.18 - The Grant receivable refers to the amount withheld by Treasury on the Equitable Share allocation; management does not believe this was justified, and did not anticipate this.

.19 - Cash and cash equivalents was estimated based on the closing cash for the prior year; the variance is high as a percentage of the budget, but low in absolute terms.

.20 - The budget for biological assets was in line with the prior year, but better rainfall and security at the farm resulted in a significant increase.

.21 - The budget for Property, plant and equipment was higher than the actuals - this was due to depreciation being underestimated as noted above.

.22 - Intangible assets budget anticipated that there would be additional software costs associated with the municipal Standard Chart Of Accounts project.

.23 - The current portion of the other financial liability was not budgeted for due to the mSCOA classifications.

.24 - The leased equipment was on a month-to-month basis for most of the year, and so the liability associated with a finance lease was not budgeted for.

.25 - The creditors vary with operational activity, and it was anticipated that the creditors would be higher due to limited cash resources, but this was offset by cost savings.

.26 - The budget assumes the monthly VAT declared will be settled in full, however the VAT moved from a receivable to a payable due to the recognition of penalties and interest levied by the South African Revenue Service (SARS).

.27 - The current portion of the employee benefits obligations is not budgeted for due to the complexity of this and seen as a non-cash item.

.28 - The municipality was unable to utilise the unspent grants in full due to cash constraints (see the unauthorised expenditure note, which accounts for the grants not being cash backed).

.29 - The provision for COID levies was budgeted for based on the prior year balance, but this is a cumulative provision and should increase annually.

.30 - The current portion of the financial liabilities (DBSA loan) was included in the non-current portion in the budget, as noted above. The overall difference relates to the last instalment for the year, which was not paid due to cash constraints.

.31 – As noted above, the budget was based on treating the leased assets as operating leases, and new contracts were only entered in to near year end.

.32 - The accumulated surplus and revaluation reserve were incorrect transposed in the budget.

39. Budget differences (continued)

Statement of cash flows:

.33 When the budget was evaluated, spending on grant related projects was significantly below the targets set; management lowered the revenue estimate based on the possibility that the grantors may have withheld part of the allocations due to non-performance. However, this was rectified before year end.

.34 The interest income budget did not consider interest on debtors.

.35 It was anticipated that additional receipts would be made from long outstanding debtors, and that these funds might then be applied to increasing the operating activities and expenditure of the municipality, however, this did not materialise.

.36 Finance costs on operating activities were incorrectly omitted from the budget.

.37 Capital expenditure, particularly on vehicles, exceeded the budget.

.38 The R9 800 000 in the budget refers to a particular debtor, whom the municipality expected to settle its long standing debt, however, this did not occur.

.39 The budget incorrectly reflects the anticipated investment of funds as an increase in cash and cash equivalents (rather than a movement between types of cash and cash equivalents).

.40 The last instalment on the DBSA loan for the 2017/18 year was only paid after year end.

.41 Several printers were acquired in terms of a finance lease, close to year end; this is difficult to budget for in advance as the classification of the lease depends on the terms arranged.

.42 The budget incorrectly omitted finance costs on financing activities.

40. Going concern

The municipality is experiencing some financial difficulties, indicators are as follows:
- a net loss of R5 195 001 was incurred during the year ended 30 June 2018;
- unspent conditional grants are not backed by available cash balances;
- a recent history of deficits in the statement of financial performance; and
- slow collection and low recoverability of outstanding accounts receivable.

The municipality is exploring alternative options to improve its financial position, develop new revenue streams in terms of its mandated functions, and better utilise existing assets.

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

The 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.

41. Events after the reporting date

In October 2018, Treasury informed the municipality that the application to roll forward an amount of R94 055 for the Rural roads asset management grant had been rejected. These funds, therefore, will be returned to the National Revenue Fund in 2018/19 financial year.

Management is not aware of any other matter or circumstance arising since the end of the financial year.

42. Financial instruments disclosure

Categories of financial instruments

2018

Figures in Rand	2018	2017

42. Contingencies (continued)

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	11 424 205	11 424 205
Grant receivable	1 041 000	1 041 000
Cash and cash equivalents	97 393	97 393
	12 562 598	**12 562 598**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 483 203	1 483 203
Trade and other payables from exchange transactions	13 859 876	13 859 876
Finance leases	658 588	658 588
Unspent conditional grants and receipts	616 643	616 643
	16 618 310	**16 618 310**

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	12 708 827	12 708 827
Cash and cash equivalents	147 795	147 795
	12 856 622	**12 856 622**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 735 806	1 735 806
Trade and other payables from exchange transactions	13 329 226	13 329 226
Finance leases	22 152	22 152
Unspent conditional grants and receipts	683 609	683 609
	15 770 793	**15 770 793**

43. Prior period errors

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

Error 1

Capital expenditure in 2015/16 relating to the Fire Grant had not been applied against the related unspent grant; as such, the Unspent conditional grants and receipts were overstated by R489 187, and grant income (accumulated surplus in 2017) was understated by the same amount.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

43. Prior period errors (continued)

Statement of financial performance	
Increase in accumulated surplus	(489 187)
Decrease in unspent conditional grants and receipts	489 187
	-

Error 2

Tender deposits received had been recorded as liabilities instead of income (these are non-refundable). As such, Payables from exchange transactions were overstated by R38,000 and Administration and management fees received was understated by the same amount.

Statement of financial position	
Decrease in payables from exchange transactions	38 000
Statement of financial performance	
Increase in administration and management fees received	(38 000)

Error 3

Amounts receivables from COGHSTA for housing projects were recognised separately from liabilities to COGHSTA for other housing projects; it was considered appropriate to net these off as it is likely that they will be settled on a net basis. As such, Receivables from exchange transactions were overstated by R158 132, and Payables from exchange transactions were overstated by the same amount.

Statement of financial position	
Decrease in receivables from exchange transactions	(158 132)
Decrease in payables from exchange transactions	158 132
	-

Error 4

Assets with a carrying value of R183 695 were derecognised in the prior year - these assets were then verified in the current year. As such, Property, plant and equipment was understated by R183 695, and Profit or loss on disposal of assets was overstated by the same amount.

Statement of financial position	
Increase in property, plant and equipment	183 695
Statement of financial performance	
Decrease in loss on disposal of assets and liabilities	(183 695)

Error 5

It was found that penalties amounting to R117 772 and relating to payroll taxes had been incorrectly allocated to the VAT control account in 2015/16. As such, accumulated surplus was overstated by this amount and the VAT receivable was overstated by the same amount.

Figures in Rand	2018	2017

43. Prior period errors (continued)

Statement of financial position		
Decrease in accumulated surplus		117 772
Decrease in VAT receivable		(117 772)
		-

Error 6

It was found that items no longer in use, with nil carrying values, were still reflected in the cost and accumulated depreciation of Property, plant and equipment. As such, cost and accumulated depreciation was overstated by R736 749; this had a nil impact on the Statement of financial position, but the change is reflected in the note.

Error 7

It was found that expenditure relating to study assistance had incorrectly been classified under telephone and fax, under operational costs. As such, telephone and fax was overstated by R32 194, and study assistance was understated by the same amount. This had a nil impact on the Statement of financial performance, but the change is effected in the note.

Error 8

It was found that expenditure relating to bonuses had been incorrectly classified under Leave pay provision charge (i.e. a misallocation within Employee related costs). As such, Bonus was understated by R257 105 and Leave pay provision was overstated by the same amount. This had a nil impact on the Statement of financial performance, but the change is effective in the Employee related costs note.

Error 9

The value of properties had been reduced with an estimated cost to sell of R282 000; this was not considered to be in accordance with GRAP which requires they be valued at the lower of cost or current replacement cost; as a result, Inventory and accumulated surplus had been understated by this amount.

Statement of financial position		
Inventories		282 000
Accumulated surplus		(282 000)
		-

Error 10

It was found that a number of properties recognised as Inventories had already been formally transferred to new owners. As a result, Inventories and Accumulated surplus were overstated by R1 494 163.

Statement of financial position		
Inventories		(1 494 163)
Accumulated surplus		1 494 163
		-

Error 11

The Statement of financial performance reflected Councillors remuneration of R4 014 028; the related note then deducted irregular expenditure of R169 115, effectively double counting this, and the note reflected only R3 844 529. Therefore, the note was updated to agree to the Statement of financial performance (the remaining difference of R384 was not investigated).

This irregular expenditure was correctly disclosed in the Irregular expenditure note 47.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Restated
Current assets				
Cash and cash equivalents		147 795	-	147 795
Receivables from exchange transactions		12 866 964	(158 132)	12 708 831
VAT receivable		1 147 553	(117 772)	1 029 781
Inventories		11 552 959	(1 494 163)	10 058 796
Non-current assets				
Biological assets		5 461 827	-	5 461 827
Investment property		6 664 000	-	6 664 000
Property, plant and equipment		75 594 505	183 695	75 778 201
Intangible assets		476 489	-	476 489
Heritage assets		19 750	-	19 750
Current liabilities				
Payables from exchange transactions		(13 525 360)	196 132	(13 329 226)
Finance lease obligation - current		(22 152)	-	(22 152)
Other financial liabilities - current		(450 268)	-	(450 268)
Unspent conditional grants and receipts		(1 172 796)	489 187	(683 610)
Employee benefit obligation - current		(535 497)	-	(535 497)
Provisions - current		(2 093 713)	-	(2 093 713)
Non-current liabilities				
Other financial liabilities - non-current		(1 285 538)	-	(1 285 538)
Employee benefit obligation - non-current		(4 044 207)	-	(4 044 207)
Net assets				
Revaluation reserve		(55 386 620)	-	(55 386 620)
Accumulated surplus		(34 635 595)	1 122 748	(33 512 847)
Profit for year		(780 096)	(221 695)	(1 001 792)
		-	-	-

44. Prior-year adjustments (continued)

Statement of financial performance

2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Rental of facilities and equipment		(89 515)	-	-	(89 515)
Administration and management fees received		(2 659 559)	(38 000)	-	(2 697 559)
Interest received		(1 808 505)	-	-	(1 808 505)
Sundry income		(1 100)	-	-	(1 100)
Government grants & subsidies		(74 824 074)	-	-	(74 824 074)
Expenses					
Employee related costs		49 723 702	-	-	49 723 702
Remuneration of councillors		4 014 028	-	-	4 014 028
Depreciation and amortisation		3 199 805	-	-	3 199 805
Finance costs		706 318	-	-	706 318
Debt Impairment		920 467	-	-	920 467
Repairs and maintenance		199 165	-	(199 165)	-
Contracted services		-	-	199 165	199 165
General expenses		24 857 794	-	(24 857 794)	-
Operational costs		-	-	24 857 794	24 857 794
Fair value adjustments		(5 271 552)	-	-	(5 271 552)
Loss on disposal of assets and liabilities		252 931	(183 695)	-	69 235
Deficit for the year		**(780 095)**	**(221 695)**	**-**	**(1 001 791)**

45. Comparative figures

Certain comparative figures have been reclassified as part of the migration to the Municipal Standard Chart of Accounts.

The effects of the reclassification are as follows:
- Repairs and maintenance was reclassified to Contracted services; and
- General expenses were reclassified to Operating costs.

46. Fruitless and wasteful expenditure

	2018	2017
Opening balance	55 556	492 962
Incurred in the current year	18 209	62 441
Identified in the current year relating to prior year	2 263 984	-
Recovered	-	(1 488)
Written off	-	(498 359)
	2 337 749	**55 556**

The fruitless and wasteful includes R2 263 984 relating to penalties and interest arising from a VAT audit at the end of 2016/17. This was disclosed as a contingent liability in the prior year.

MPAC had concluded their investigation in to fruitless and wasteful expenditure at year end; their recommendations for corrective action (disciplinary action, criminal charges, amounts to be recovered, etc) were provided to council after year end. Any changes processed during the audit will be presented to council in the new financial year.

Notes to the Annual Financial Statements

47. Irregular expenditure

Opening balance	20 632 434	12 310 905
Add: Irregular Expenditure - current year (councillors remuneration)	-	169 115
Add: Irregular expenditure - current year	365 380	8 152 414
Recovered	-	-
Written off	-	-
	20 997 814	**20 632 434**

Analysis of expenditure awaiting condonation per age classification

2018	365 380	-
2017	8 321 529	8 321 529
2016	2 493 810	2 493 810
2015	9 777 582	9 777 582
2014	39 513	39 513
	20 997 814	**20 632 434**

In 2018, the irregular expenditure generally relates to incomplete forms being submitted by suppliers or the forms not being updated. The amounts disclosed are exclusive of VAT.

The irregular expenditure in 2015, 2016, and 2017 includes excess remuneration paid to councillors. In terms of the MFMA, this is recoverable from the councillors concerned.

MPAC had concluded their investigation in to irregular expenditure at year end; their recommendations for corrective action (disciplinary action, criminal charges, amounts to be recovered, etc) were provided to council after year end. Any changes processed during the audit will be presented to council in the new financial year.

48. Deviation from supply chain management regulations

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

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

Reason for deviation		
Emergency	-	17 099
Sole supplier	165 486	154 253
Impractical or impossible to follow procurement process	818 952	1 144 164
	984 438	**1 315 516**

49. Unauthorised expenditure

Opening balance	19 490 781	16 231 387
Overspending of the total amount appropriated for a vote in the approved budget	12 020 522	2 233 929
Spending of an allocation otherwise than in accordance with any conditions of the allocation	519 250	1 025 465
Authorised by council	-	-
	32 030 553	**19 490 781**

MPAC had concluded their investigation in to the unauthorised expenditure at year end; their recommendations for corrective action (disciplinary action, criminal charges, amounts to be recovered, etc) were provided to council after year end. Any changes processed during the audit will be presented to council in the new financial year.

Notes to the Annual Financial Statements

50. Section 45 of the supply chain management regulations

In terms of section 45 of the supply chain management regulations, the notes to the financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months.

During the year, the following awards were made:

- R28 543.30 was awarded to Basadi Trading Enterprise, which is subject to a significant degree of control by the spouse of LK Oubaas, who was an employee of John Taolo Gaetsewe District Municipality (not a s57 manager); and

- R99 000 was awarded to Ezy Mok General Trading, which is subject to a significant degree of control by an individual whose spouse is employed by the South African Police Service.

51. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial liabilities	592 684	395 122	790 245	-
Finance lease obligation	382 944	702 064	-	-
Unspent conditional grants and receipts	616 643	-	-	-
Payables from exchange transactions	13 859 876	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial liabilities	592 684	395 122	1 185 367	-
Finance lease obligations	22 322	-	-	-
Unspent conditional grants and receipts	683 609	-	-	-
Payables from exchange transactions	13 329 226	-	-	-

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.

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings at fixed rates, which exposes the municipality to fair value interest rate risk. During 2018 and 2017, the municipality's borrowings at fixed rates were denominated in the Rand.