Dannhauser Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	Category B municipality in terms of section 3 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155 of the Constitution of the Republic of South Africa, 1996.
Municipal demarcation code	KZN 254
Grading of local Municipality	Grade 2
Capacity of local authority	Low Capacity Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development, levying of rates and supplying of general services to the community. The municipality is also involved in dermacation and grading of land.
Executive Mayor	Cllr Phakathi J.P.
Speaker	Cllr Ngubeni Z.S.
Councillors	Cllr Buthelezi M.A.
	Cllr Dlamini S.D.
	Cllr Dubazana X.M.
	Cllr Dube N.S.
	Cllr Nair P.G.
	Cllr Hlathswayo N.S.
	Cllr Hlathswayo V.R.
	Cllr Kumalo N.P.
	Cllr Kunene M.
	Cllr Manyati N.G.R.
	Cllr Matlaba M.N.
	Cllr Mazibuko R.N.
	Cllr Mfusi E.S.
	Cllr Mkhize M.S.
	Cllr Mkhumane M.S.
	Cllr Msibi S.D.
	Cllr Ndaba V.M.
	Cllr Ndlovu S.N.
	Cllr Nene P.P.
	Cllr Ngidi M.A.
	Cllr Radebe A.N.
	Cllr Sibisi S.S.
	Cllr Sithole S.G.
Accounting Officer	Mr. Nkosi WB
Chief Finance Officer (CFO)	Mrs Mohapi D.M.
Registered office	8 Church Street Dannhauser 3080
Business address	8 Church Street Dannhauser 3080

General Information

Postal address	Private Bag X1011 Dannhauser 3080
Bankers	First National Bank - Newcastle
Auditors	Auditor General of South Africa
Attorneys	Rafiq Khan & Co. Attorneys at Law

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and given unrestricted access to all financial records and related data.

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

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

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

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

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 69, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. Nkosi WB
Accounting Officer

Accounting officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 16 225 533 (2016: deficit R 571 038).

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 busines

3. Subsequent events

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

4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

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

Name	Nationality
Mr. Nkosi WB	South African

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	47 890 792	36 742 439
Receivables from exchange transactions	4	3 677 257	4 947 302
Receivables from non-exchange transactions	5	20 127 256	8 403 278
VAT receivable	6	3 143 628	5 159 581
		74 838 933	**55 252 600**
Non-Current Assets			
Investment property	7	19 400 511	14 785 856
Property, plant and equipment	8	308 416 541	306 577 824
Heritage assets	9	55 576	55 576
		327 872 628	**321 419 256**
Total Assets		**402 711 561**	**376 671 856**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	13 873 769	8 103 912
Unspent conditional grants and receipts	11	197 741	4 367 289
Employee benefit obligation	13	216 109	443 000
Provisions	12	9 670 336	1 042 078
		23 957 955	**13 956 279**
Non-Current Liabilities			
Employee benefit obligation	13	4 406 680	4 179 000
Total Liabilities		**28 364 635**	**18 135 279**
Net Assets		**374 346 926**	**358 536 577**
Accumulated surplus		374 346 926	358 536 577

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	1 033 703	983 105
Rental of facilities and equipment	15	272 402	44 044
Licences and permits	17	2 701 131	2 135 566
Other income	18	8 424 930	1 560 939
Interest received	16	3 697 240	2 854 834
Total revenue from exchange transactions		**16 129 406**	**7 578 488**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	17 671 273	16 391 826
Transfer revenue			
Government grants and subsidies	20	105 860 117	119 393 635
Fines	21	853 700	850 601
Total revenue from non-exchange transactions		**124 385 090**	**136 636 062**
Total revenue	22	**140 514 496**	**144 214 550**
Expenditure			
Employee related costs	23	(25 028 597)	(22 831 405)
Remuneration of councillors	24	(8 345 206)	(6 529 067)
Depreciation and amortisation	26	(25 763 150)	(25 942 019)
Finance costs		-	(491 000)
Debt Impairment	25	-	(761 843)
Repairs and maintenance	27	(4 573 949)	(4 639 104)
General expenses	28	(60 867 845)	(46 061 496)
Total expenditure		**(124 578 747)**	**(107 255 934)**
Operating surplus		**15 935 749**	**36 958 616**
Gain (loss) on disposal of assets and liabilities	29	467 414	(311 514)
Actuarial gains/losses	13	442 211	1 230 000
Impairment loss	30	(619 841)	(38 448 140)
		289 784	**(37 529 654)**
Surplus (deficit) for the year		**16 225 533**	**(571 038)**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**361 097 276**	**361 097 276**
Changes in net assets		
Change in net assets Property plant & equipment	3 212 079	3 212 079
Revision of useful life	6 849	6 849
Cash flow hedges, net of tax		
• Prior year error depreciation	57 956	57 956
Derecognition of assets	(6 639 560)	(6 639 560)
Reversal of overcharged depreciation	240	240
Prior year error cash and cash equivalents	1 581 575	1 581 575
COIDA	(152 400)	(152 400)
Councilors Allowance	(339 725)	(339 725)
Prior year error - Interest arrears	283 325	283 325
Net income (losses) recognised directly in net assets	(1 989 661)	(1 989 661)
Surplus for the year	(571 038)	(571 038)
Total recognised income and expenses for the year	(2 560 699)	(2 560 699)
Total changes	(2 560 699)	(2 560 699)
Opening balance as previously reported	358 536 577	358 536 577
Prior year adjustments (refer to note 37)	(6 734 919)	(6 734 919)
Restated* Balance at 01 July 2016 as restated*	**351 801 658**	**351 801 658**
Changes in net assets		
Other 1	6 319 735	6 319 735
Net income recognised directly in net assets	6 319 735	6 319 735
Surplus for the year	16 225 533	16 225 533
Total recognised income and expenses for the year	22 545 268	22 545 268
Total changes	22 545 268	22 545 268
Balance at 30 June 2017	**374 346 926**	**374 346 926**

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Service charges		26 158 362	20 114 310
Government grants and subsidies		101 958 319	119 393 634
Interest received		3 697 240	2 550 115
Other income		8 309 509	2 316 106
		140 123 430	144 374 165
Payments			
Employee related costs		(29 237 408)	(28 583 885)
Suppliers		(67 611 857)	(40 950 496)
Finance costs		-	(491 000)
		(96 849 265)	(70 025 381)
Net cash flows from operating activities	32	**43 274 165**	**74 348 784**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(27 511 157)	(68 204 621)
Proceeds from sale of property, plant and equipment	8	-	226 680
Purchase of investment property	7	(4 614 655)	(70 000)
Proceeds from sale of investment property	7	-	100 000
Net cash flows from investing activities		**(32 125 812)**	**(67 947 941)**
Cash flows from financing activities			
Finance lease receipts and payments		-	(1 215)
Net increase/(decrease) in cash and cash equivalents		**11 148 353**	**6 399 628**
Cash and cash equivalents at the beginning of the year		36 742 439	30 342 811
Cash and cash equivalents at the end of the year	3	**47 890 792**	**36 742 439**

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 048 075	-	**1 048 075**	1 033 703	**(14 372)**	43.1
Rental of facilities and equipment	210 000	-	**210 000**	272 402	**62 402**	43.2
Licences and permits	1 255 658	(31 666)	**1 223 992**	2 701 131	**1 477 139**	43.3
Other income	1 752 833	(319 018)	**1 433 815**	8 424 930	**6 991 115**	43.4
Interest received	3 000 000	-	**3 000 000**	3 697 240	**697 240**	43.5
Total revenue from exchange transactions	**7 266 566**	**(350 684)**	**6 915 882**	**16 129 406**	**9 213 524**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 617 487	(663 013)	**16 954 474**	17 671 273	**716 799**	43.6
Transfer revenue						
Government grants and subsidies	101 143 000	-	**101 143 000**	105 860 117	**4 717 117**	43.7
Fines	351 446	(246)	**351 200**	853 700	**502 500**	43.8
Total revenue from non-exchange transactions	**119 111 933**	**(663 259)**	**118 448 674**	**124 385 090**	**5 936 416**	
Total revenue	**126 378 499**	**(1 013 943)**	**125 364 556**	**140 514 496**	**15 149 940**	
Expenditure						
Employee related costs	(34 075 078)	5 001 587	**(29 073 491)**	(25 028 597)	**4 044 894**	43.9
Remuneration of councillors	(7 924 525)	-	**(7 924 525)**	(8 345 206)	**(420 681)**	43.9
Depreciation and amortisation	-	-	**-**	(25 763 150)	**(25 763 150)**	
Repairs and maintenance	(5 779 552)	(1 738 489)	**(7 518 041)**	(4 573 949)	**2 944 092**	43.10
General expenses	(36 416 717)	(2 890 771)	**(39 307 488)**	(60 867 845)	**(21 560 357)**	
Total expenditure	**(84 195 872)**	**372 327**	**(83 823 545)**	**(124 578 747)**	**(40 755 202)**	
Operating surplus	**42 182 627**	**(641 616)**	**41 541 011**	**15 935 749**	**(25 605 262)**	
Gain on disposal of assets and liabilities	-	-	**-**	909 625	**909 625**	
Impairement	-	-	**-**	(619 841)	**(619 841)**	
	-	**-**	**-**	**289 784**	**289 784**	
Surplus for the year	**42 182 627**	**(641 616)**	**41 541 011**	**16 225 533**	**(25 315 478)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**42 182 627**	**(641 616)**	**41 541 011**	**16 225 533**	**(25 315 478)**	

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), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

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

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

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality an the amounts have been rounded to the nearest rand.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months. Refer to Note 41.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of these annual financial statements in conformity with GRAP, requires the use of certain critical accounting estimates. Management is required to exercise judgement which affects amounts represented in the annual financial statements, related disclosures, the 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. Areas involving a higher degree of judgement or complexity or areas were assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements, where applicable. 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 were 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, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have 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

Management determines an estimate based on the available information and additional disclosure of these estimates are included in note 12 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 property, plant and equipment and other assets. These estimates are based on industry norms and on the pattern in which an asset's future economic benefits or service potential in expected to be consumed by the Municipality.

Post employment benefits

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

The Municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, 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 pension obligations are based on current market conditions. Additional information is disclosed in note 13.

Effective interest rate

The Municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that could result in impairment.. 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.

1.4 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
- 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 can be measured reliably.

Investment property is initially recognised at cost including any transaction costs incurred.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently e.g. addition, replacement of a part, 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. The fair value of investment property reflects market conditions at the reporting date. 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.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

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.

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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. When the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 - 50 years
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 - 5 years
IT equipment	Straight line	30 years
Infrastructure	Straight line	30 years
Landfill site	Straight line	15 years
Other vehicles	Straight line	5 years
Specialised vehicles	Straight line	10 years

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

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.7 Heritage assets

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

Recognition

The Municipality recognises a heritage asset as an asset when 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.

Where the Municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 9 Heritage assets.

Initial measurement

Heritage assets are initially recognised at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Derecognition

The Municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

Accounting Policies

1.8 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost.

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

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, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the amortised cost.

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

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

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

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

The carrying amount of the transferred asset is 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. The 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.

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).

1.9 Value-added Tax (VAT)

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

1.10 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.

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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 was 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

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.11 Impairment of non-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.

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

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

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

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

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

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

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

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

Useful life is either:

(a) the period of time over which an asset is expected to be used by the Municipality; or

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

(b) the number of production or similar units expected to be obtained from the asset by the Municipality.

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

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

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

Irrespective of whether there is any indication of impairment, the Municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was 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

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:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.12 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables for the Municipality constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

1.12 Statutory receivables (continued)

The Municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the transaction amount can be measured reliably.

The Municipality measures a statutory receivable initially at its transaction amount.

The Municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The Municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

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

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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 the allowance account. The reversal does not result in a carrying amount of the statutory receivable 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.

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

The Municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable 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 receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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 considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 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 12 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 recognises 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

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The Municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.13 Employee benefits (continued)

Other long-term employee benefits

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

The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards 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;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

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

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 expenditure.

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

A constructive obligation to restructure arises only when the Municipality:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the Municipality

The provision for landfill site is the cost of levelling the land in the next financial year. The landfill site is levelled on an annual basis, the provision is calculated based on the costs incurred in the current financial year in respect to levelling and this had been adjusted for inflation. The amount provided is the best estimate calculated.

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 Municipality.

A contingent liability:

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

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

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

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

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

Levies

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

The 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.

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 corresponding liability is recognised when that minimum threshold is reached.

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

1.15 Revenue from exchange transactions

. Exchange transaction are transactions 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. Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of service charges, rental, licences and permits, interest and other income

Services charges relate to refuse removal.
Income with respect to rental of facilities and equipment is accrued monthly in terms of the rental agreements. Interest earned on investments is recognised in the statement of financial performance on a time-proportionate basis which takes into account the effective yield on the investment.
Income for agency services is recognised on a monthly basis once the income collected on behalf od the agents is earned

Measurement

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

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be 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.

1.16 Revenue from non-exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises and that ratepayers have been duly notified. Interest unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective rate applicable.

Fines constitute both spot fines and summons. The revenue is recognised when the fine is issued.

Government grants and subsidies are recognised in terms of the amount that has been received.

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.17 Borrowing costs

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

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 40 for detail.

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the Municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the Municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ''allocation'' otherwise than in accordance with any conditions of the allocation; or
- a grant by the Municipality otherwise than in accordance with the Municipal Finance Management Act.

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

1.22 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 debited/credit against accumulated surplus when retrospective adjustments are made.

1.23 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, which are disclosed in note 33.

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

- contracts are non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts 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.Commitment represents goods/ services that have been approved and / or contracted for, but where delivery has taken place at the reporting date.Commitmens will consist of already contracted for but not provided for and not yet contracted for and authorised by accounting officer

1.24 Grants 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 or 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 giving raise to the transfer occurred.

Accounting Policies

1.25 Budget information

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

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

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

Management is regarded as a related party and comprises of the Executive Mayor, Councillors, Mayoral Executive Members, Municipal Manager and executive directors.

1.27 Events after reporting date

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

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

The municipality 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

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.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two 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 reporting 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 alias, for the disclosure of:
- control;
- related party transactions; and

2. New standards and interpretations (continued)

- remuneration of management.

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

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

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to 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 providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

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

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

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

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

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

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 2017 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 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.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	868	537
Bank balances	4 064 804	5 452 586
Short-term deposits	42 972 321	28 962 892
Other cash and cash equivalents	852 799	2 326 424
	47 890 792	**36 742 439**

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents include Cashiers' Float of R538 and Petty cash on hand of R330, bank balance and investments. In terms of GRAP 1 and MFMA, Investments and Cash and Cash Equivalents must be consolidated.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Figures in Rand	2017	2016

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB - Small Town - 62392884659	-	-	9 969 051	-	-	9 969 051
FNB - Primary Bank Account - 62369194106	3 446 725	1 221 794	1 789 187	3 446 725	1 250 447	1 807 491
Standard Bank - Primary Bank Account - 060032073	288 527	644 679	711 603	288 527	646 182	712 984
FNB - Call Account - 62392884659	336 122	3 555 956	11 236 049	336 122	3 555 956	-
Standard Bank - Notice Deposit - 068483295002	1 032 927	5 104 264	45 912	1 032 927	5 104 264	46 040
Standard Bank - Call Account - 068480520001	5 297 904	2 257 090	2 444 119	5 297 904	2 257 090	51 092
FNB BANK - 30 Day Notice - 74089485434	-	-	468 371	-	-	472 990
FNB Bank - Call Account - 62084062894	4 143 905	306	879 976	4 143 905	306	883 451
ABSA BANK - Map Call Account - 9118486422	18 454	1 467 442	1 396 890	18 455	1 467 442	1 400 509
ABSA BANK - 9121421831 - Call Account	32 375	10 367	724 283	32 309	10 367	737 349
ABSA BANK - Call Account 9169857999	2 838 880	2 663 337	2 535 290	2 838 880	2 663 337	2 541 857
STANDARD BANK - Equitable Share -068480520 - 002	49 998	47 093	44 441	49 998	47 093	44 604
ABSA BANK - Housing Call Account - 9259916188	458 344	430 003	406 801	458 344	430 003	408 218
ABSA BANK - Fixed Deposit Account (MPRA) - 2072034421	3 063 645	770 555	718 922	3 063 645	770 555	722 280
FNB Bank -Municipal Infrastructure Grant - 62392885855	233 348	3 594	3 409	233 348	3 594	-
FNB - Call Account - (Electrification) 62422725682	745 915	703 280	3 245 301	745 915	703 280	239 098
ABSA - Fixed Deposits - 2074015596	-	2 328 413	2 158 596	-	2 328 413	2 180 064
NEDBANK - Call Account (MIG) - 7165020829	11 949	1 801 407	24 686	11 949	1 801 407	24 686
STANLIB - Retention Account - 52714479	-	6 586	6 147	-	6 586	6 147
INVESTEC - FIXED DEPOSITS - 1100532894-450	5 488 072	5 092 956	-	5 488 072	5 092 956	-
INVESTEC - Call Account - Equitableshare - 1100532894-451	5 491 674	5 096 300	-	5 491 674	5 096 300	-
STANDARD BANK - Call account - 268436894001	1 253 927	1 175 221	1 103 094	1 253 927	1 175 221	1 107 695
Nedbank - Call Account - 7165022015	852 799	2 326 424	-	852 799	2 326 424	-
Nedbank - Call Account (MSIG & FMG) -7165022740	6 129 356	4 676	-	6 122 941	4 676	-
Investec: 1100-532894453 Equitable share (Fixed deposit)	3 133 205	-	-	3 133 205	-	-
Investec: 1100-532894500 Equitable Share (Call Account)	1 047 865	-	-	1 047 865	-	-
ABSA 2074015596 (Fixed Deposit)	2 500 488	-	-	2 500 488	-	-

Figures in Rand	2017	2016

3. Cash and cash equivalents (continued)

Total	**47 896 404**	**36 711 743**	**39 912 128**	**47 889 924**	**36 741 899**	**23 355 606**

4. Receivables from exchange transactions

	2017	2016
Other receivables	1 957 014	1 635 761
Refuse	-	1 695 337
Sundry debtors	1 720 243	1 577 086
Prepaid expenses	-	39 118
	3 677 257	**4 947 302**

Trade and other receivables past due but not impaired

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

	2017	2016
1 month past due	-	860 108
2 months past due	-	677 507
3 months past due	-	627 825
	-	705 254

5. Receivables from non exchange and exchange transactions

	2017	2016
Gross balances		
Rates	23 792 937	18 367 169
Less: Allowance for impairment		
Rates	(3 665 681)	(9 963 891)
Net balance		
Rates	20 127 256	8 403 278
Rates		
Current (0 -30 days)	1 155 186	860 108
31 - 60 days	642 836	677 507
61 - 90 days	567 719	627 285
91 - 120 days	572 896	705 254
121 - 365 days	2 783 938	19 199 624
> 365 days	18 070 362	(11 970 662)
	23 792 937	**10 099 116**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Receivables from non exchange and exchange transactions (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	748 241	701 481
31 - 60 days	537 610	564 521
61 - 90 days	475 468	547 297
91 - 120 days	476 130	502 658
121 - 365 days	2 748 305	15 214 729
> 365 days	14 786 778	-
	19 772 532	17 530 686
Less: Allowance for impairment	(2 889 377)	(10 380 961)
	16 883 155	**7 149 725**

National and provincial government		
Current (0 -30 days)	406 540	383 539
31 - 60 days	104 823	243 296
61 - 90 days	91 848	227 822
91 - 120 days	96 363	117 832
121 - 365 days	32 979	3 566 603
> 365 days	3 106 526	-
	3 839 079	4 539 092
Less: Allowance for impairment	(776 304)	(1 589 701)
	3 062 775	**2 949 391**

Total		
Current (0 -30 days)	1 155 186	1 085 020
31 - 60 days	642 836	807 817
61 - 90 days	567 719	775 119
91 - 120 days	572 896	620 490
121 - 365 days	2 783 938	18 781 332
> 365 days	18 070 362	-
	23 792 937	22 069 778
Less: Allowance for impairment	(3 665 681)	(11 970 662)
	20 127 256	**6 654 281**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(11 970 663)	11 970 663
Reversal of allowance	8 304 982	-
	(3 665 681)	**(11 970 663)**

6. VAT receivable

VAT	3 143 628	5 159 581

VAT is accounted for on the payments basis.

All VAT returns were submitted throughout the year.

7. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land and Buildings	19 400 511	-	19 400 511	14 785 856	-	14 785 856

Reconciliation of investment property - 2017

	Opening balance	Additions	Total
Investment property - Land	13 462 756	4 614 655	18 077 411
Investment property - Buildings	1 323 100	-	1 323 100
	14 785 856	**4 614 655**	**19 400 511**

Reconciliation of investment property - 2016

	Opening balance	Additions	Disposals	Total
Investment property	14 815 856	70 000	(100 000)	14 785 856

Pledged as security

None of the above investment property have been pledged as security.

Other Disclosures

	2017	2016
- Rental revenue from investment property	272 402	144 044

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

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 619 950	(64 503)	1 555 447	1 619 950	(34 739)	1 585 211
Buildings	238 014 390	(98 617 483)	139 396 907	231 010 095	(94 564 487)	136 445 608
Plant and machinery	2 942 112	(1 225 997)	1 716 115	2 409 125	(1 117 597)	1 291 528
Furniture and fixtures	2 938 795	(1 896 533)	1 042 262	3 008 147	(1 826 109)	1 182 038
Motor vehicles	14 960 925	(7 847 133)	7 113 792	14 283 347	(7 415 218)	6 868 129
IT equipment	1 694 615	(1 248 084)	446 531	1 661 798	(1 267 577)	394 221
Infrastructure	356 733 509	(212 141 149)	144 592 360	324 098 683	(192 634 390)	131 464 293
Infrastructure work in progress	12 553 127	-	12 553 127	27 346 796	-	27 346 796
Total	**631 457 423**	**(323 040 882)**	**308 416 541**	**605 437 941**	**(298 860 117)**	**306 577 824**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	1 585 211	-	-	(29 764)	-	1 555 447
Buildings	136 445 574	7 004 295	-	(3 958 358)	(94 604)	139 396 907
Plant and machinery	1 294 092	801 550	-	(265 160)	(114 367)	1 716 115
Furniture and fixtures	1 182 038	130 065	-	(240 755)	(29 086)	1 042 262
Motor vehicles	6 868 129	2 266 151	-	(1 645 909)	(374 579)	7 113 792
IT equipment	394 221	175 955	-	(118 234)	(5 411)	446 531
Infrastructure	131 464 298	32 634 826	-	(19 504 970)	(1 794)	144 592 360
Infrastructure work in progress	27 346 796	-	(14 793 669)	-	-	12 553 127
	306 580 359	**43 012 842**	**(14 793 669)**	**(25 763 150)**	**(619 841)**	**308 416 541**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 619 950	-	-	-	-	-	(34 739)	-	-	1 585 211
Buildings	158 902 878	15 202 104	-	-	-	-	(5 387 398)	(38 851 884)	6 579 874	136 445 574
Plant and machinery	818 833	704 186	(30 129)	-	-	378	(199 176)	-	-	1 294 092
Furniture and fixtures	983 231	463 619	-	-	(6 849)	2 194	(260 157)	-	-	1 182 038
Motor vehicles	5 934 833	2 655 463	-	-	-	-	(1 722 167)	-	-	6 868 129
IT equipment	427 225	122 403	(26 141)	-	-	-	(129 266)	-	-	394 221
Infrastructure	133 628 951	11 713 957	(1 046 976)	-	(3 159 174)	14 126 845	(19 099 509)	(5 943 756)	1 243 959	131 464 297
Infrastructure work in progress	28 453 031	37 342 889	-	(38 449 124)	-	-	-	-	-	27 346 796
Other leased Assets # 1	1 114	-	-	-	-	-	(1 114)	-	-	-
	330 770 046	**68 204 621**	**(1 103 246)**	**(38 449 124)**	**(3 166 023)**	**14 129 417**	**(26 833 526)**	**(44 795 640)**	**7 823 833**	**306 580 358**

Pledged as security

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

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

9. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	55 576	-	55 576	55 576	-	55 576

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral chain	55 576	55 576

Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral chain	55 576	55 576

Age and/or condition of heritage assets

The heritage assets were assessed for impairment in the current year and no impairment was considered necessary.

Pledged as security

Heritage assets are not pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Payables from exchange transactions

Trade payables	628 553	493 692
Accrued leave pay	2 396 142	2 448 105
Retentions on contracts with creditors	877 342	803 599
Trade accruals	9 945 122	4 213 764
Performance bonus accrual	-	144 752
Prodiba	26 610	-
	13 873 769	**8 103 912**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Emafusini KNPA roads project	-	112 437
Expanded Works Program (EPWP)	451	20 758
Financial Management Grant (FMG)	-	50
Health Regional Services Council (RSC) cemetery project	-	58 336
Information Management Planning (IMP) monitoring system (KZN Province)	-	58 830
Integrated National Electrification Programme Grant (INEG)	-	(2 139 480)
Integrated National Electrification Programme Grant (INEG) two	-	449 118
Kwagule bakery-reserves	-	53 440
Land use management systems	-	102 354
Municipal Infrastructure Grant (MIG) Guarantee	-	73 742
Municipal Infrastructure Grant	39	-
Rural infrastructure	-	344 148
Small town rehabilitation	197 251	5 032 211
Storm relief	-	139 966
Tourism support grant	-	61 379
	197 741	**4 367 289**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. All grants that do not have movements are roll over grants.

Notes to the Annual Financial Statements

Figures in Rand

12. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Landfill sites	1 042 078	8 628 258	9 670 336

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Landfill sites	986 816	55 262	1 042 078

Provision for rehabilitation:

The Municipality engages in disposal of general waste, garden waste and garden rubble from the residents and businesses in Dannhauser and surrounding areas.

A new Waste Management Licence for operation of Dannhauser waste disposal facility was issued in terms of Section 49(1) of the National Environmental Management: Waste Act 29 of 2008. The Waste Management Licence (WML) was issued to Dannhauser Local Municipality in February 2014 for continued operation of the landfill site at the above subject to the conditions stated in section 5 of the license.

The following is proposed for the rehabilitation of the landfill:

- Upgrade and maintain exisiting
- Rehabilitation and closure costs
- Post-closure monitoring and maintenance costs (aftercare)

The amount provided is the best estimate calculated. The financial implications of rehabilitating the landfill site were determined by an independenty valuator Impumelelo Consulting Engineers as at 30 June 2017.

13. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Figures in Rand	2017	2016

13. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 650 707)	(4 454 000)
Fair value of reimbursement rights	181 000	705 000
	(3 469 707)	**(3 749 000)**
Non-current liabilities	(4 406 680)	(4 179 000)
Current liabilities	(216 109)	(443 000)
	(4 622 789)	**(4 622 000)**

The Council and its employees contribute to the Natal Joint Municipal Pension Fund's which constitute of three funds providing retirement benefits to such employees.

The funds are subject to the Pension Funds Act 1956, and are self administered, defined benefit plans. Pensions are calculated on the average annual pensionable emoluments during the last years of service. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years. Certain employees of the municipality belong to the Natal Joint Municipal Pension Fund (retirement), Natal Joint Municipal Pension Fund (provident) and Natal Joint Municipal Pension Fund (superannuation) which are administered by the Province.

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

Opening balance	3 044 000	3 749 000
Contributions by plan participants	-	(1 110 000)
Exchange differences	-	408 000
Benefits paid	-	(157 000)
Assumed in an entity combination	-	154 000
	3 044 000	**3 044 000**

Long service awards

Opening balance	878 000	873 000
Actuarial gains (losses)	-	(120 000)
Assets distributed on settlements	-	83 000
Contributions by employer	-	127 000
Contributions by plan participants	-	(85 000)
	878 000	**878 000**

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used		9,00 %
Medical cost trend rates		8,00 %
Future changes in maximum state healthcare benefits	7.97 %	
Other material actuarial assumptions	0.79 %	

13. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	846 000
Effect on defined benefit obligation	-	4 385 000

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

	2017	2016	2015	2014	2013
Defined benefit obligation	3 469 707	3 749 000	-	3 926 000	14 842 988

14. Service charges

Refuse removal	1 033 703	983 105

15. Rental income

Premises		
Rental of investment properties	272 402	44 044

16. Investment revenue

Interest revenue		
Interest received	3 697 240	2 854 834

17. Licences and permits

Municipal licences and permits		
Business Licence	-	175
Commission: Department of Transport	-	23 719
Drivers Licence	195 808	119 579
Learners Licence	196 920	192 800
Plan Fees	6 106	3 985
Vehicle Licences	1 287 680	1 660 216
Drivers Licence Card	1 014 617	135 092
	2 701 131	**2 135 566**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

18. Other income

Cemetery fees	17 914	10 028
Discounts and refunds received	5 212	5 212
Donations	-	1 000 000
Encroachments	-	259
Insurance claims	112 813	131 817
Local Government Sector Education and Training Authority (LGSETA)	48 113	44 768
Photocopies	-	9 149
Rates clearing certificates	39 115	10 973
Taxi rank fees	14 588	7 500
Stale Cheques	-	745
Sundry Income	8 187 175	209 880
Interest on arrear receivables	-	130 608
	8 424 930	**1 560 939**

Other Income - Provision for doubtful debts has been reversed and was accounted for as part of sundry income in the current year hence sundry income has increased from R209 880 to R8 214 911.

19. Property rates

Rates received

Assessment rates	17 671 273	16 395 135
Agreements	-	(3 309)
	17 671 273	**16 391 826**

Valuations

Commercial	804 641 000	637 617 000
Residential	583 955 000	586 043 000
State	215 696 000	263 135 000
	1 604 292 000	**1 486 795 000**

Figures in Rand	2017	2016

20. Government grants and subsidies

Operating grants

Cyber Cadet Grant	179 000	170 000
Equitable share	75 694 000	74 181 000
Expanded Public Works Program (EPWP)	1 139 307	979 242
Financial Management Grant (FMG)	1 825 000	1 801 070
Integrated National Electrification Programme Grant (INEG) two	-	4 655 586
Library provincialisation	559 000	553 000
Municipal Infrastructure Grant (MIG)	20 697 960	21 073 958
Government grant (operating) 13	930 890	-
Municipal Systems Improvement Programme Grant (MSIG)	-	930 794
Small town rehabilitation	4 834 960	15 048 985
	104 777 708	119 393 635
	105 860 117	**119 393 635**

Equitable Share

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

Storm relief

Balance unspent at beginning of year	139 966	139 966
Current-year receipts	-	-
Conditions met - transferred to revenue	(139 966)	-
	-	**139 966**

The grant is intended to purchase material in order to repair damaged houses for beneficiaries in various areas in Dannhauser Municipality.

The beneficiaries' families are headed by the unemployed and pensioners, living under such extreme poverty that they can not build their own houses.

The balance of the grant whose condition(s) have not yet been met has been transferred to liabilities (see note 12 unspent conditional grants and receipts).

Municipal Infrastructure Grant (MIG) Retention

Current-year receipts	20 698 000	-
Conditions met - transferred to revenue	(20 698 000)	-
	-	**-**

This grant has been reallocated to retentions (see note11 unspent conditional grants and receipts).

Tourism Support Grant

Balance unspent at beginning of year	61 379	61 379
Current-year receipts	-	-
Conditions met - transferred to revenue	(61 379)	-
	-	**61 379**

Emafusini KNPA roads project

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

Balance unspent at beginning of year	112 437	112 437
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Other	(112 437)	-
	-	**112 437**

Rural infrastructure

Balance unspent at beginning of year	344 148	344 148
Current-year receipts	-	-
Conditions met - transferred to revenue	(344 148)	-
	-	**344 148**

Land use management systems

Balance unspent at beginning of year	102 354	102 354
Current-year receipts	-	-
Conditions met - transferred to revenue	(102 354)	-
	-	**102 354**

Kwagule bakery-reserves

Balance unspent at beginning of year	53 440	53 440
Conditions met - transferred to revenue	(53 440)	-
	-	**53 440**

Information Management Planning (IMP) monitoring system (KZN Province)

Balance unspent at beginning of year	58 830	58 830
Current-year receipts	-	-
Conditions met - transferred to revenue	(58 830)	-
	-	**58 830**

Health Regional Services Council (RSC)-cemetery project

Balance unspent at beginning of year	58 336	58 336
Current-year receipts	-	-
Conditions met - transferred to revenue	(58 336)	-
	-	**58 336**

Municipal Infrastructure Grant (MIG) Grant

Balance unspent at beginning of year	-	-
Current-year receipts	39	21 074 000
Conditions met - transferred to revenue	-	(21 074 000)
	39	**-**

The purpose of the municipal infrastructure grant is to provide basic residential infrastructure for poor households. The grant can be used for new infrastructure, upgrading bulk and connector infrastructure, or the rehabilitation of existing infrastructure.

Financial Management Grant

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

Balance unspent at beginning of year	50	50
Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 050)	(1 800 000)
	-	**50**

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Ac (MFMA). The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g salary costs of the Financial Management Interns).

The balance of the grant whose condition(s) have not yet been met has been transferred to liabilities (see note 12 unspent conditional grants and receipts).

Library Provincialisation Grant

Current-year receipts	559 000	553 000
Conditions met - transferred to revenue	(559 000)	(553 000)
	-	**-**

The purpose of the community library services grant, administered by the Department of Co-operativegovernments and traditional affairs, is to help South Africans access knowledge and information, so that their socioeconomic situation can be improved.The grant is allocated to the relevant provincial department and either administered by that department or through a service-level agreement with municipalities.

Municipal Systems Improvement Programme Grant (MSIG)

Balance unspent at beginning of year	-	794
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 794)
	-	**-**

The purpose of this grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Conditions still to be met - remain liabilities (see note 11).

Electrification Grant

Balance unspent at beginning of year	(2 139 480)	(2 139 480)
Conditions met - transferred to revenue	2 139 480	-
	-	**(2 139 480)**

The purpose of the Electification Grant is administered by the Department of Co-operative governments and traditional affairs is to assist the municipality to undertake and execute electrification programmes.

Small Town Rehabilitation Grant

Balance unspent at beginning of year	5 032 211	20 081 195
Conditions met - transferred to revenue	(4 834 960)	(15 048 984)
	197 251	**5 032 211**

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

The purpose of the grant is to facilitate the rehabilitation of infrastructure in the small towns.

Conditions still to be met - remain liabilities (see note 11 unspent conditional grants and receipts).

Electrification Programme Grant

Balance unspent at beginning of year	449 118	104 704
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(449 118)	(4 655 586)
	-	**449 118**

The purpose of the Electrification Program Grant, which is administered by the Department of Co-operative governments and traditional affairs is to assist the municipality in undertaking and executing an electrification programme.

Conditions still to be met - remain liabilities (see note 11 unspent conditional grants and receipts).

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	20 758	-
Current-year receipts	1 119 000	1 000 000
Conditions met - transferred to revenue	(1 139 307)	(979 242)
	451	**20 758**

The purpose of the grant is to incentivise municipalities to expand job creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Program (EPWP) guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure.

.

Cyber Cadet

Current-year receipts	179 000	170 000
Conditions met - transferred to revenue	(179 000)	(170 000)
	-	**-**

The purpose of the Cyber Cadet grant, which is administered by the Department of Co-operative governments and traditional affairs, is to assist in the cost of appointing the library computer assistant for the Dannhauser Community Library.

21. Fines

Fines		
Library Fines	2 710	953
Traffic Fines	850 990	849 648
	853 700	**850 601**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Revenue

Fines	853 700	850 601
Government grants and subsidies	105 860 117	119 393 635
Interest received - investment	3 697 240	2 854 834
Licences and permits	2 701 131	2 135 566
Other income	8 424 930	1 560 939
Property rates	17 671 273	16 391 826
Rental income	272 402	44 044
Service charges	1 033 703	983 105
	140 514 496	**144 214 550**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	3 697 240	2 854 834
Licences and permits	2 701 131	2 135 566
Other income	8 424 930	1 560 939
Rental of facilities and equipment	272 402	44 044
Service charges	1 033 703	983 105
	16 129 406	**7 578 488**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	17 671 273	16 391 826
Transfer revenue		
Fines	853 700	850 601
Government grants and subsidies	105 860 117	119 393 635
	124 385 090	**136 636 062**

Note: Other Income - Provision for doubtful debts has been reversed in the current year hence other income has increased from R1 560 939 to R8 424 930.

Notes to the Annual Financial Statements

Figures in Rand

23. Employee related costs

Employee related costs – salaries and wages	17 488 024	14 071 340
Employee related costs - casual salaries and wages	21 116	2 531 772
Housing benefits and allowances	232 172	193 300
Medical aid - company contributions	2 592 877	2 585 860
Overtime payments	578 459	453 159
Other employee related costs	266 815	212 355
Bonuses	1 739 560	1 243 512
Post-employment benefits	448 701	39 000
Skills Development Levy (SDL)	252 278	234 922
Travel, motor car, accommodation, subsistence and other allowances	1 408 595	1 266 185
	25 028 597	**22 831 405**

Remuneration of Municipal Manager (Nkosi WB)

Annual Remuneration	534 582	516 448
Car Allowance	374 547	361 881
Performance Bonuses	144 752	144 752
Contributions to UIF, Medical and Pension Funds	82 928	70 686
Other	11 707	151 698
	1 148 516	**1 245 465**

Remuneration of Chief Finance Officer (Mohapi DM)

Annual Remuneration	550 451	492 864
Car Allowance	283 975	249 485
13th Cheque	43 949	40 761
Contributions to UIF, Medical and Pension Funds	201 347	187 546
Other	18 000	18 000
Other (Bond)	8 904	8 400
	1 106 626	**997 056**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Employee related costs (continued)

Remuneration of Technical Service Director (Nene MR)

Annual Remuneration	392 420	378 195
Car Allowance	213 700	175 407
13th Cheque	33 115	32 035
Contributions to UIF, Medical and Pension Funds	93 460	86 525
Other	18 000	18 000
Other	8 904	8 400
	759 599	**698 562**

Remuneration of Corporate Services Director (Narothum S)

Annual Remuneration	387 463	358 040
Car Allowance	211 162	175 590
13th Cheque	32 289	27 255
Contributions to UIF, Medical and Pension Funds	127 608	117 258
Other	18 000	18 000
Other	-	18 000
	776 522	**714 143**

Remuneration of Community Services Director (Naidoo S)

Annual Remuneration	382 973	351 588
Car Allowance	206 216	186 824
13th Cheque	32 289	28 804
Contributions to UIF, Medical and Pension Funds	107 039	97 201
Other	18 000	18 000
Other	8 904	25 842
Other	-	8 400
	755 421	**716 659**

24. Remuneration of councillors

Executive Mayor	771 614	789 326
Deputy Executive Mayor	319 880	359 582
Speaker	623 638	635 455
Councillors	5 666 994	4 063 598
Executive Committee Members	963 080	681 106
	8 345 206	**6 529 067**

In-kind benefits

The Mayor and Speaker are full-time. The Mayor is entitled to the use and enjoyment of a vehicle at no cost to her.

The remuneration of employees and section 57 managers is within the upper limits of the SALGA Bargaining Council determinations.

24. Remuneration of councillors (continued)

2017	Annual remuneration	Cellphone allowance	Data card allowance	Total
Mayor: Phakathi JP	747 519	20 704	3 391	771 614

2017	Annual Remuneration	Travel allowance	Cellphone allowance	Data card allowance	Total
Deputy Executive Mayor: Msibi SD	298 445	-	18 436	3 000	319 881

2017	Annual Remuneration	Travel allowance	Cellphone allowance	Data card allowance
Speaker: Ngubeni ZS	469 362	130 180	20 704	3 391

24. Remuneration of councillors (continued)

2017 Councillors	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance	Subsistence Allowance	Total
Cllr Buthelezi AH	18 902	6 209	2 268	391	-	27 770
Cllr Buthelezi MA	190 783	49 811	20 704	3 391	-	264 689
Cllr Dlamini SD	214 393	-	18 436	3 000	-	235 829
Cllr Dubazana XM	214 393	-	18 436	3 000	-	235 829
Cllr Dube NS	170 791	43 602	18 436	3 000	-	235 829
Cllr Nair PG	175 551	38 842	18 436	3 000	-	235 829
Cllr Hlatswayo NS	170 791	45 341	16 697	3 000	-	235 829
Cllr Hlatswayo VR	170 791	43 602	18 436	3 000	-	235 829
Cllr Hlongwane NS	18 902	6 209	2 268	391	-	27 770
Cllr Kumalo N.P	214 393	-	18 436	3 000	-	235 829
Cllr Kunene M	214 393	-	18 436	3 000	-	235 829
Cllr Kunene ES	18 902	6 209	2 268	391	-	27 770
Cllr Manyati NGJ	190 783	49 811	20 704	3 391	-	264 689
Cllr Matlaba MN	214 393	-	18 436	3 000	-	235 829
Cllr Mazibuko RN	170 791	43 602	18 436	3 000	-	235 829
Cllr Mfusi ES	214 393	-	18 436	3 000	-	235 829
Cllr Mkhize MS	170 791	43 602	18 436	3 000	-	235 829
Cllr Mkhumane MS	198 781	-	17 712	3 000	-	219 493
Cllr Mdakane HV	18 902	6 209	2 268	391	-	27 770
Cllr Majola NM	18 902	6 209	2 268	391	-	27 770
Cllr Mhlungu NJ	25 203	-	2 268	391	-	27 862
Cllr Mabanga TV	25 992	8 537	2 268	391	-	37 188
Cllr Ndaba VM	198 515	52 708	20 704	3 391	-	275 318
Cllr Ngidi MA	240 686	-	20 704	3 391	-	264 781
Cllr Nxumalo LL	18 902	6 209	2 268	391	-	27 770
Cllr Nyembe MR	18 902	6 209	2 268	391	-	27 770
Cllr Radebe AN	190 783	49 811	20 704	3 391	-	264 689
Cllr Sibisi SS	208 427	14 851	18 436	3 000	-	244 714
Cllr Sibeko MA	25 992	8 537	2 268	391	-	37 188
Cllr Sithole MP	18 902	6 209	2 268	391	-	27 770
Cllr Shabalala MB	18 902	6 209	2 268	391	-	27 770
	3 981 927	**548 538**	**386 377**	**63 647**	**-**	**4 980 489**

Figures in Rand	2017	2016

24. Remuneration of councillors (continued)

2017 **Executive Committee members**	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance
Ndlovu SN	241 436	65 115	20 704	3 391
Nene PP	241 436	65 115	20 704	3 391
Sithole SG	280 351	-	18 436	3 000
	763 223	**130 230**	**59 844**	**9 782**

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

25. Debt impairment

	2017	2016
Debt Impairment	-	761 843

26. Depreciation and amortisation

	2017	2016
Property, plant and equipment	25 763 150	25 942 019

27. Repairs and maintenance

	2017	2016
Repairs and Maintanance	3 057 187	4 639 104

Figures in Rand	2017	2016

28. General expenses

Advertising	343 482	265 881
Auditors remuneration	2 798 449	2 175 313
Bank charges	57 139	39 027
Burial of destitute	136 571	137 836
By law and acts	-	4 347
Catering	421 766	253 061
Chemicals	237 340	11 803
Cleaning material	275 516	80 936
Computer expenses	19 024	32 561
Conferences and seminars	571 237	443 059
Disabled projects	36 961	2 240
Disaster management	2 612 131	770 294
Electricity	1 689 789	1 625 723
Electrification	11 940 104	12 644 438
Entertainment	267 134	438 327
Facilitation	-	400
First ten bursary	840 450	294 500
Gender and culture	325 460	359 622
Subscription	-	173
HIV program	34 670	361 382
Insurance	509 763	367 694
Investment mobilisation	-	(100)
Leave pay accrual	402 703	2 120 967
Legal costs	174 746	347 239
Licence fees	297 752	252 399
Local Economic Development (LED)	1 289 255	1 326 662
Maps and plans	1 537	2 096
Marketing and corporate	200 095	384 658
Mayoral expenses	293 346	1 456 556
Membership fees	492 668	501 000
Municipal partnership	1 199 119	363 807
PMS review & printing	-	330 660
Placement stipend	172 658	396 831
Postage fees	19 484	18 847
Printing and stationery	602 302	460 473
Professional fees	5 077 566	83 786
Professional services	1 227 140	2 709 703
Promote Intergrated Development Plan (IDP)	547 525	79 762
Promote public participation	219 298	586 362
Provision for bad debts	-	54 600
Plans	1 139 116	774 815
Refuse Bins/Bags	147 400	170 869
Rental of land	93 256	44 355
Rental office machine	409 454	313 065
Road marking	-	38 531
Security and alarms	3 514 169	2 976 199
Seeds and plants	-	9 885
Senior citizen	272 893	181 075
Skills levy	808 764	575 872
Sports	159 807	653 615
Subsistence and travelling	1 019 839	2 689 050
Telephone	1 712 398	520 189
Job evaluation	54 202	153 679
Town cleaning	27 572	10 539
Training direct expense	726 775	384 693
Transport official vehicles	1 874 642	1 202 420
Uniforms	63 851	83 651
VAT adjustment	2 503 959	199 407
Valuation appeal board	378 334	284 151
Valuation costs - interims	595 262	180 601

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. General expenses (continued)

Provision for landfill site	6 465 108	1 300 595
Ward constituency meeting	702 074	362 680
Ward council committee	1 190 540	991 345
Water	-	(99 924)
Workplace Skills Plan (WSP)	185 438	163 000
Youth	1 488 812	112 214
	60 867 845	**46 061 496**

29. Gain(loss) on disposal of assets and liabilities

Gain/loss of assets	467 414	311 514

30. Impairment of assets

Impairments		
Property, plant and equipment	(619 841)	(38 448 140)

31. Auditors' remuneration

Fees	2 798 449	2 175 313

32. Cash generated from operations

Surplus (deficit)	16 145 358	(571 037)
Adjustments for:		
Depreciation and amortisation	25 763 150	25 942 017
(Loss) gain on sale of assets and liabilities	(209 609)	45 615 626
Debt impairment	-	761 843
Movements in retirement benefit assets and liabilities	(215 320)	(700 000)
Movements in provisions	8 628 258	55 262
Other non-cash items	-	23 480 582
Changes in working capital:		
Receivables from exchange transactions	1 270 045	(978 224)
Consumer debtors	-	(761 843)
Receivables from non-exchange transactions	(11 723 978)	(3 208 074)
Payables from exchange transactions	5 769 856	4 237 709
VAT	2 015 953	(4 145 400)
Unspent conditional grants and receipts	(4 169 548)	(15 379 677)
	43 274 165	**74 348 784**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Investments in controlled entities	23 471 716	134 988 441
Not yet contracted for and authorised by accounting officer		
• Investments in controlled entities	64 368 000	23 771 000
Total capital commitments		
Already contracted for but not provided for	23 471 716	134 988 441
Not yet contracted for and authorised by accounting officer	64 368 000	23 771 000
	87 839 716	**158 759 441**

Total commitments

Total commitments		
Authorised capital expenditure	87 839 716	158 759 441

This committed expenditure relates to Infrastructure assets and other assets and will be financed by available bank facilities, Small Town rehabilitation grant, retained surpluses, existing cash resources and internally generated funds, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	438 040
- in second to fifth year inclusive	-	283 281
	-	**721 321**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 1 year. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	-	22 228
- in second to fifth year inclusive	-	14 750
	-	**36 978**

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

34. Risk management

Financial risk management

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

34. Risk management (continued)

Liquidity risk

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

The table below analyses the municipality's financial liabilities 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 twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	12 429 549	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	5 511 055	-	-	-

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2017	2016
Cash and cash equivalents	47 890 792	35 246 274
Receivables from exchange transactions	3 677 257	1 695 338
Receivables from non-exchange transactions	19 767 237	8 403 778

35. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	(500 000)
Current year subscription / fee	-	500 000
	-	-

Audit fees

Current year subscription / fee	2 798 449	2 175 313
Amount paid - current year	(2 798 449)	(2 175 313)
	-	-

PAYE and UIF

Current year subscription / fee	175 478	2 358 056
Amount paid - current year	(175 478)	(2 358 056)
	-	-

Figures in Rand	2017	2016

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

Pension and medical aid deductions

Opening balance	2 961 569	2 895 050
Current year subscription / fee	(2 961 569)	(2 895 050)
	-	-

VAT

VAT receivable	3 143 628	5 159 581

VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

Supply chain management regulations

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

Incident		
Deviations	2 227 548	3 155 403
The reasons for the above Deviations is caused by agents, single source quotes and emergency	-	-
	2 227 548	**3 155 403**

36. Fruitless and wasteful expenditure

The accounting officer is not aware of any matter or event that give rise to fruitless and wasteful expendirue incurred during the financial year.

37. Prior period errors

Change in accounting policy
No change in accounting policy occurred during the year under review.

Correction of errors
The correction of errors have been done in terms of GRAP 3, paragraph 44, and subject to paragraph 45, whereby material prior period errors have been corrected retrospectively in the first set of financial statements authorised for issue after the discovery of the errors. By restating the comparative amounts for the prior period(s) presented in which the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.
The Intergrated electification was a grant which was overspent in 2013 by R2 139 480. The overspending was funded internally since the full grant received was utilised. A journal was passed in the current year to correct the overspending and no restatements were done with regards to this correction.

Below is a summary of the total effect that the prior period errors had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

37. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2016	Balance as previously reported	Prior period error	Reclassified (note 40)	Restated balance
Revenue				
Service charges	885 501	-	97 604	983 105
Rental of facilities and equipment	44 044	-	-	44 044
Interest received - investment	2 550 115	-	304 719	2 854 834
Licences and permits (exchange)	2 000 475	-	135 091	2 135 566
Other Income	2 002 328	-	(441 389)	1 560 939
Property rates	16 391 826	-	-	16 391 826
Government grants and subsidies	119 393 635	-	-	119 393 635
Fines	850 601	-	-	850 601
Total revenue	144 118 525	-	96 025	144 214 550
Expenditure				
Employee related costs	(22 831 405)	-	-	(22 831 405)
Remuneration of councillors	(6 529 067)	-	-	(6 529 067)
Debt impairment	(761 843)	-	-	(761 843)
Depreciation and amortisation	(25 942 019)	-	-	(25 942 019)
Finance costs	(491 000)	-	-	(491 000)
Repairs and maintenance	(4 639 104)	-	-	(4 639 104)
General expenses	(45 965 469)	-	(96 027)	(46 061 496)
Total expenditure	(107 159 907)	-	(96 027)	(107 255 934)
Operating surplus / (deficit)	37 450 741	-	(492 125)	36 958 616
Gain/(loss) on disposal of assets nd liabilities	(311 514)	-	-	(311 514)
Fair value adjustments	1 230 000	-	-	1 230 000
Impairment loss	(38 448 140)	-	-	(38 448 140)
Surplus / (deficit) for the year	(779 074)	-	(492 125)	(571 038)

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

37. Prior period errors (continued)

Statement of Financial Position as at 30 June 2016	Balance as previously reported	Prior period error	Reclassified (note x)	Restated balance
Assets				
Current Assets				
Cash and cash equivalents	36 742 439	-	-	36 742 439
Receivables from exchange transactions	4 947 302	-	-	4 947 302
Receivables from non-exchange transactions	8 403 278	-	-	8 403 278
VAT receivable	5 159 581	-	-	5 159 581
Total current assets	55 252 600	-	-	55 252 600
Non-current Assets				
Investment property	14 785 856	-	-	14 785 856
Property, plant and equipment	306 572 774	5 050	-	306 577 824
Heritage assets	55 576	-	-	55 576
Total non-current assets	321 414 206	5 050	-	321 419 256
Liabilities				
Current Liabilities				
Payables from exchange transactions	8 103 912	-	-	8 103 912
Unspent conditional grants and receipts	4 367 289	-	-	4 367 289
Employee benefit obligation	443 000	-	-	443 000
Provisions	1 042 078	-	-	1 042 078
Total current liabilities	13 956 279	-	-	13 956 279
Non-current Liabilities				
Employee benefit obligation	4 179 000	868 000	-	5 047 000
Net Assets				
Accumulated surplus - Opening balance	358 521 527	(6 719 869)	-	351 801 658
Total net assets	358 521 527	(6 719 869)	-	351 801 658

Figures in Rand	2017	2016

37. Prior period errors (continued)

38. Related parties

Related party transactions

Purchases from (sales to) related parties		
Niksa Industries	47 132	-
Veez Micro Enterprise	-	623 700
AA Tours	59 400	-
Rent paid to (received from) related parties		
M2X Business Enterprise	-	6 565
Administration fees paid to (received from) related parties		
Tinney Trading and Projects	-	11 250

The owner of Niksa Industries is the nephew of Mrs S. Narothum (Manager Corporate Services)..

The owner of AA tours is the husband of Mrs AY Amedjee (Supervisor - Traffic Department)

39. Irregular expenditure

Opening balance	1 342 448	-
Add: Irregular Expenditure - current year	9 970 827	4 497 882
Less: Amounts written off	(2 227 548)	(3 155 434)
	9 085 727	**1 342 448**

Details of irregular expenditure

Non-compliance with SCM - Winning Bidder not appointed	1 124 442	1 124 442
Awards made to State employees	218 006	218 006
Non- compliance with SCM - Invalid deviations	1 280 917	-
Non -Compliance with SCM - Functionality criteria and weighting not Clearly specified	6 248 598	-
Non - Compliance with SCM - Original nor certified BBEE certificates not submitted	213 764	-
	9 085 727	**1 342 448**

40. Comparative figures

Certain comparative figures have been reclassified as follows

Statement of Financial Performance¶¶ An amount of R97 604 was reclassified from service charges to general expenses as an expense amount was incorrectly mapped to service charges in the prior year.¶ In addition, an amount of R441 389 was reclassified from other income to interest received (R304 719) and Licences and permits (R135 091)

The effects of the reclassification are as follows:

Statement of financial position - extract

Notes to the Annual Financial Statements

Figures in Rand

40. Comparative figures (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Service Charges	885 501	97 604	983 105
Licences and Permits	2 000 475	135 091	2 135 566
Interest Received	2 550 115	304 719	2 854 834
Other Income	2 002 328	(441 389)	1 560 939
General Expenses	(45 965 469)	(96 027)	(46 061 496)
Total	**(38 527 050)**	**(2)**	**(38 527 052)**

41. 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.

42. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

43. Budget differences

Material differences between budget and actual amounts

43.1 The budget included tariffs on non refuse collection areas.

43.2 More revenue than anticipated as there was additional property which was secured by municipality and was rented out to individuals and companies.

43.3 In the previous financial years, when the municipality constructed urban roads, it suspended certain licencing function and since then it has never recovered

43.4 More revenue was obtained from licence cards as compared to the previous years..

43.5 The interest increased as the more money was invested as short term deposits in the current year .

43.6 The budget was achieved as anticipated.

43.7 Conditions for some of the unspent conditional grants from the previous year were only met this financial year resulting grant revenue exceeding the budget.

43.8 The traffic fines were higher than anticipated due to the increase in the spot fines.

43.9 The employee costs are less than the projected amounts as the projections were too high.

43.10 In complying with 8% of the regulation the municipality's projection became very high then normal expenditure of the municipality's maintainance expenditure.

44. Contingencies

There were no contingent assets or liabilities as at 30 June 2017.

45. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Cash and cash equivalents	47 890 792	47 890 792
Receivables from exchange transactions	3 677 257	3 677 257
Receivables from non-exchange transactions	19 767 237	19 767 237
	71 335 286	**71 335 286**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	12 429 549	12 429 549

Notes to the Annual Financial Statements

Figures in Rand

. Financial instruments disclosure (continued)

2016

Financial assets

	At amortised cost	Total
Cash and cash equivalents	36 742 439	36 742 439
Receivables from exchange transactions	4 947 289	4 947 289
Receivables from non-exchange transactions	8 403 778	8 403 778
	50 093 506	**50 093 506**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	5 511 055	5 511 055