GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	District Municipality
Speaker	Nkosi JM
Executive Mayor	Chirwa MG
Chief Whip	Nkosi SGT
Mayoral committee	Buthelizi BM Dhlamini ES Masina LL Nhlapo NS Nhlengethwa DG Sekhonde BG
Councillors	Botha C Brussow JLI De Ville JR De Vries GR Dlamini LBR Greyling GS Joubert LK Karim LS Khumalo MJ Khumalo MS Kubheka MN Maboa-Boltman NF Maboea SA Madonsela ME Makhubu ML Makola MB Malatsi PV Masondo TS Mathebula SB Mazibuko KD Mazibhuko KM Mbhele JS Mlotshwa TL Mkwanazi CB Mtshali BH Motha VM Mukhwanazi AO Ngubeni A Ngwenya M Nkosi DP Nkosi KP Nkosi MJ Nkosi MS Nkosi VL Sibanyoni SI Sibeko PT Zulu NN Zulu TSM Zwane LA
Nature of business and principal activities	A Category C Municipality established in terms of the Structures Act 117 of 1998 which execute some of the functions of Local Government (DC30) and Section 155(c) of the Constitution of the Republic of South Africa, 1996.
The following is included in the scope of operation	Local Government - Service Delivery in Mpumalanga
Grading of local authority	3

General Information

Chief Finance Officer (CFO)	Singh AY
Accounting Officer	Habile CA
Registered office	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
Business address	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
Postal address	PO Box 1748 Ermelo Mpumalanga 2350
Bankers	FNB
Auditors	Auditor General Of South Africa
Attorneys	Panel of attorneys

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

Abbreviations

COGTA	Mpumalanga Prpvincial Department of Co-operative Governance and Traditional Affairs
DWS	Department od Water and Sanitation
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. In order to enable the accounting officer to meet these responsibilities, the municipality 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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors .

The annual financial statements set out on pages 5 to 83, which have been prepared on the going concern basis were approved by the management before August 31,2017 and have been duly signed by the Municipal Manager.

Habile CA
Municipal Manager

Ermelo

31 August 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	91 296 278	84 644 252
Inventories	4	86 937 423	14 921 029
Other financial assets - investments	10	80 000 000	-
Receivables from exchange transactions	5	7 434 945	7 000 110
Receivables from non-exchange transactions	6	1 044 300	875 996
VAT receivable	7	23 443 834	8 154 917
		290 156 780	**115 596 304**
Non-Current Assets			
Heritage assets	8	159 250	154 250
Intangible assets	9	322 418	448 857
Property, plant and equipment	11	295 236 115	301 417 376
		295 717 783	**302 020 483**
Total Assets		**585 874 563**	**417 616 787**
Liabilities			
Current Liabilities			
Finance lease obligation	15	742 213	-
Payables from exchange transactions	12	83 022 464	41 372 087
Unspent conditional grants and receipts	13	28 007 744	3 087 112
Provisions	14	3 225 227	2 600 485
		114 997 648	**47 059 684**
Non-Current Liabilities			
Finance lease obligation	15	1 879 609	-
Retirement benefit obligation	16	755 964	724 000
Provisions	14	4 577 548	4 327 000
		7 213 121	**5 051 000**
Total Liabilities		**122 210 769**	**52 110 684**
Net Assets		**463 663 794**	**365 506 103**
Accumulated surplus		463 663 794	365 506 103

* See Note 38

Statement of Financial Performance for the year ended 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Health income		206 176	392 986
Income from municipal entities		-	288 679
Other income	18	3 279 538	2 282 503
Interest received - investment and other receivables	19	14 853 282	8 048 875
Total revenue from exchange transactions		**18 338 996**	**11 013 043**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	20	358 478 445	288 311 093
Public contributions and donations	21	530 543	-
Total revenue from non-exchange transactions		**359 008 988**	**288 311 093**
Total revenue	17	**377 347 984**	**299 324 136**
Expenditure			
Employee related cost	22	(111 194 694)	(100 114 698)
Remuneration of councillors	23	(11 593 628)	(11 308 317)
Depreciation and amortisation	24	(19 746 903)	(17 899 502)
Impairment loss		-	(76 222)
Finance costs	25	(665 209)	(484 314)
Lease rentals on operating lease		(516 387)	(563 404)
Repairs and maintenance	26	(6 668 511)	(6 160 723)
Contracted services	27	-	(1 791 029)
Grants and subsidies	28	(93 334 614)	(123 241 637)
General expenses	29	(39 570 450)	(35 987 849)
Total expenditure		**(283 290 396)**	**(297 627 695)**
Operating surplus		**94 057 588**	**1 696 441**
(Loss) on disposal of assets		(230 890)	(33 277)
Fair value adjustments	31	4 330 992	-
Surplus on termination of trust/partnership		-	17 556 188
		4 100 102	**17 522 911**
Surplus for the year		**98 157 690**	**19 219 352**

* See Note 38

Statement of Changes in Net Assets for the year ended 30 June 2017

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**346 286 751**	**346 286 751**
Changes in net assets		
Surplus for the year	19 219 352	19 219 352
Total changes	19 219 352	19 219 352
Restated* Balance at 01 July 2016	**365 506 104**	**365 506 104**
Changes in net assets		
Surplus for the year	98 157 690	98 157 690
Total changes	98 157 690	98 157 690
Balance at 30 June 2017	**463 663 794**	**463 663 794**

* See Note 38

Cash Flow Statement for the year ended 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		206 176	392 986
Grants		383 399 077	289 710 146
Interest income		14 830 838	7 849 599
Other receipts		3 279 538	1 865 778
Income from municipal entities		-	288 679
		401 715 629	300 107 188
Payments			
Employee costs		(122 395 068)	(109 604 784)
Suppliers		(186 325 585)	(161 503 525)
Finance costs		-	(118 314)
		(308 720 653)	(271 226 623)
Net cash flows from operating activities	33	**92 994 976**	**28 880 565**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(6 145 015)	(1 962 506)
Proceeds from sale of property, plant and equipment	11	120 000	11 246
Purchase of other intangible assets	9	-	(246 432)
Purchase of financial assets		(80 000 000)	-
Movement in investment in municipal entities		-	13 514 375
Net cash flows from investing activities		**(86 025 015)**	**11 316 683**
Cash flows from financing activities			
Decrease in long term loans		-	(4 104 383)
Finance lease payments		(317 935)	-
Net cash flows of discontinued operations		-	17 556 188
Net cash flows from financing activities		**(317 935)**	**13 451 805**
Net increase/(decrease) in cash and cash equivalents		**6 652 026**	**53 649 053**
Cash and cash equivalents at the beginning of the year		84 644 252	30 995 199
Cash and cash equivalents at the end of the year	3	**91 296 278**	**84 644 252**

* See Note 38

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						
Health income	700 000	(350 000)	**350 000**	206 176	**(143 824)**	Appendix E-1
Other income	2 045 300	(155 240)	**1 890 060**	3 279 538	**1 389 478**	Appendix E-1
Interest received - investment	5 500 000	2 225 500	**7 725 500**	14 853 282	**7 127 782**	Appendix E-1
Total revenue from exchange transactions	**8 245 300**	**1 720 260**	**9 965 560**	**18 338 996**	**8 373 436**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	385 082 000	1 404 389	**386 486 389**	358 478 445	**(28 007 944)**	Appendix E-1
Public contributions and donations	-	-	**-**	530 543	**530 543**	
Total revenue from non-exchange transactions	**385 082 000**	**1 404 389**	**386 486 389**	**359 008 988**	**(27 477 401)**	
Total revenue	**393 327 300**	**3 124 649**	**396 451 949**	**377 347 984**	**(19 103 965)**	
Expenditure						
Personnel	(129 287 770)	(2 468 020)	**(131 755 790)**	(111 194 694)	**20 561 096**	Appendix E-1
Remuneration of councillors	(13 245 750)	1 466 340	**(11 779 410)**	(11 593 628)	**185 782**	Appendix E-1
Depreciation and amortisation	(20 662 900)	1 376 900	**(19 286 000)**	(19 746 903)	**(460 903)**	Appendix E-1
Finance costs	-	-	**-**	(665 209)	**(665 209)**	Appendix E-1
Lease rentals on operating lease	-	(637 310)	**(637 310)**	(516 387)	**120 923**	Appendix E-1
Repairs and maintenance	(8 824 000)	1 142 500	**(7 681 500)**	(6 668 511)	**1 012 989**	Appendix E-1
Contracted services	(800 000)	800 000	**-**	-	**-**	Appendix E-1
Grants and subsidies	(201 139 364)	(6 292 279)	**(207 431 643)**	(93 334 614)	**114 097 029**	Appendix E-1
General expenses	(38 686 220)	(6 136 880)	**(44 823 100)**	(39 570 450)	**5 252 650**	Appendix E-1
Total expenditure	**(412 646 004)**	**(10 748 749)**	**(423 394 753)**	**(283 290 396)**	**140 104 357**	
Operating surplus	**(19 318 704)**	**(7 624 100)**	**(26 942 804)**	**94 057 588**	**121 000 392**	
Loss on disposal of assets and liabilities	-	-	**-**	(230 890)	**(230 890)**	
Fair value adjustments	-	-	**-**	4 330 992	**4 330 992**	
	-	**-**	**-**	**4 100 102**	**4 100 102**	
Surplus before taxation	**(19 318 704)**	**(7 624 100)**	**(26 942 804)**	**98 157 690**	**125 100 494**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(19 318 704)**	**(7 624 100)**	**(26 942 804)**	**98 157 690**	**125 100 494**	

Appropriation Statement for the year ended 30 June 2017

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Investment revenue	5 500 000	2 225 500	7 725 500	-		7 725 500	14 853 282		7 127 782	192 %	270 %
Transfers recognised - operational	385 082 000	1 404 390	386 486 390	-		386 486 390	358 478 445		(28 007 945)	93 %	93 %
Other own revenue	2 745 300	(505 240)	2 240 060	-		2 240 060	4 016 257		1 776 197	179 %	146 %
Total revenue (excluding capital transfers and contributions)	**393 327 300**	**3 124 650**	**396 451 950**	**-**		**396 451 950**	**377 347 984**		**(19 103 966)**	**95 %**	**96 %**
Employee costs	(129 287 770)	(2 468 020)	(131 755 790)	-	-	(131 755 790)	(111 194 694)	-	20 561 096	84 %	86 %
Remuneration of councillors	(13 245 750)	1 466 340	(11 779 410)	-	-	(11 779 410)	(11 593 628)	-	185 782	98 %	88 %
Depreciation and asset impairment	(20 662 900)	1 376 900	(19 286 000)			(19 286 000)	(19 746 903)	-	(460 903)	102 %	96 %
Finance charges	-	-	-	-	-	-	(665 209)	-	(665 209)	DIV/0 %	DIV/0 %
Transfers and grants	(201 139 364)	(6 292 279)	(207 431 643)	-	-	(207 431 643)	(93 334 614)	-	114 097 029	45 %	46 %
Other expenditure	(48 310 220)	(4 831 690)	(53 141 910)	-	-	(53 141 910)	(46 736 581)	-	6 405 329	88 %	97 %
Total expenditure	**(412 646 004)**	**(10 748 749)**	**(423 394 753)**	**-**	**-**	**(423 394 753)**	**(283 271 629)**	**-**	**140 123 124**	**67 %**	**69 %**
Surplus/(Deficit)	**(19 318 704)**	**(7 624 099)**	**(26 942 803)**	**-**		**(26 942 803)**	**94 076 355**		**121 019 158**	**(349)%**	**(487)%**
Loss on disposal of asset	-	-	-	-		-	(230 890)		(230 890)	DIV/0 %	DIV/0 %
Fair value adjustment	-	-	-	-		-	4 330 992		4 330 992	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(19 318 704)**	**(7 624 099)**	**(26 942 803)**	**-**		**(26 942 803)**	**98 176 457**		**125 119 260**	**(364)%**	**(508)%**
Surplus/(Deficit) for the year	**(19 318 704)**	**(7 624 099)**	**(26 942 803)**	**-**		**(26 942 803)**	**98 176 457**		**125 119 260**	**(364)%**	**(508)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	9 464 106		9 464 106	DIV/0 %	DIV/0 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	92 994 976		92 994 976	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(86 025 015)		(86 025 015)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(317 935)		(317 935)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**6 652 026**		**6 652 026**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	84 644 252		84 644 252	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**91 296 278**		**(91 296 278)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies for the year ended 30 June 2017

1. Presentation of Annual Financial Statements

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

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

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, are disclosed below.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for trade 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.

Fair value estimation

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

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

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

Accounting Policies for the year ended 30 June 2017

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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.

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. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for impairment

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

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand and deposits held at call.

1.4 Property, plant and equipment

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

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.

Accounting Policies for the year ended 30 June 2017

1.4 Property, plant and equipment (continued)

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 bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

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

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

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

Property, plant and equipment 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		Indifinite
Buildings		
• Office Building	Straight line	30
• Laboratories	Straight line	30
• Disaster centres	Straight line	30
• Workshops/store rooms	Straight line	30
• Non residual perimeter protection	Straight line	25
• Internal road	Straight line	20
• Stormwater channel	Straight line	20
Plant and equipment	Straight line	5
Furniture and fixtures		
• Office furniture	Straight line	7
• Elavator system	Straight line	20
• Transformer	Straight line	50
• Building - air condition system	Straight line	15
• Electric wire and power distribution equipment(generators)	Straight line	7

Accounting Policies for the year ended 30 June 2017

1.4 Property, plant and equipment (continued)

Motor vehicles		
• Motor vehicles	Straight line	7
• Construction vehicles	Straight line	10
Office equipment	Straight line	7
IT equipment	Straight line	5
Lab equipment	Straight line	7
Communication equipment	Straight line	2
Park facilities		
• Public parking	Straight line	30
• Carports/garages/shelters	Straight line	15
Lease copiers	Straight line	3
Specialised vehicles		
• Emergency vehicles	Straight line	12
Heritage		Indefinite

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

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

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

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

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 statement of financial position.

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Accounting Policies for the year ended 30 June 2017

1.5 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	5 years

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

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

1.6 Heritage assets

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

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

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

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

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

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

1.6 Heritage assets (continued)

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 8).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

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 for the year ended 30 June 2017

1.7 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 into discharge an obligation.

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

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

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

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

A financial asset is:

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

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

Accounting Policies for the year ended 30 June 2017

1.7 Financial instruments (continued)

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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

Financial assets measured at amortised cost:

Accounting Policies for the year ended 30 June 2017

1.7 Financial instruments (continued)

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

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

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.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

1.7 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.8 Statutory receivables

Identification

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.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.8 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the 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; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell 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 entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.9 Leases (continued)

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets 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.

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.

Accounting Policies for the year ended 30 June 2017

1.11 Impairment of cash-generating assets (continued)

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

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.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 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.

Accounting Policies for the year ended 30 June 2017

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

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 non-cash-generating assets from cash-generating assets are as follows:

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 entity also test 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 was 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 assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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.

Accounting Policies for the year ended 30 June 2017

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Accumulated reserves

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

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

The entity shall recognise 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 shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies for the year ended 30 June 2017

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity 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 entity is demonstrably committed to a termination when the entity 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. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.15 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Commitments

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

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

Accounting Policies for the year ended 30 June 2017

1.16 Commitments (continued)

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Interest, royalties and dividends

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

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Accounting Policies for the year ended 30 June 2017

1.18 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

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

Accounting Policies for the year ended 30 June 2017

1.24 Irregular expenditure

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

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

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

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

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

1.25 Budget information

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

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

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

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

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

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

1.26 Related parties

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.27 Events after reporting date

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

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

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

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

1.28 Value Added Tax

The municipality accounts for value addaed taxation on the payment basis.

1.29 Offsetting

Assets, liabilities, revenue and expenses have not been offsetted except when offsetting is required or permitted by a Standard of GRAP.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

GRAP 108: Statutory Receivables

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

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

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

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

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

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

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

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

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

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

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

The impact of the standard is not material.

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.

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

The impact of the standard is not material.

GRAP 17 (as amended 2015): Property, Plant and Equipment

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.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

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

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

The impact of the standard is not material.

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance

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

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

GRAP 20: Related parties

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

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

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

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

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

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

*A person or a close member of that person’s family is related to the reporting entity if that person:
- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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 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 set the effective date for the standard.

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

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

GRAP 108: Statutory Receivables

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

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

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

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

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 set the effective date for the standard.

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

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

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

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

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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.

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

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 standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

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

The impact of this standard is currently being assessed

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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

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

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

GRAP 20: Related parties

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

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

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

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

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

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

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

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

GRAP 109: Accounting by Principals and Agents

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.

Notes to the Annual Financial Statements for the year ended 30 June 2017

2. New standards and interpretations (continued)

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.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 100	5 600
Bank balances	91 288 178	84 638 652
	91 296 278	**84 644 252**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	**June 30, 2016**	**June 30 , 2015**	**June 30, 2017**	**June 30, 2016**	**June 31,2015**
ABSA BANK - Current Account - 010-5397-1462	24 506 882	18 486 736	10 269 600	24 506 882	84 363 124	30 718 095
ABSA BANK - Call Account - 40-6821-1572	50 162 177	65 881 806	20 470 345	-	-	-
NEDBANK - Current Account - 1454106999	-	275 527	271 504	-	275 527	271 504
FNB BANK - Current Account - 62638396334	17 163 959	-	-	66 781 296	-	-
Total	**91 833 018**	**84 644 069**	**31 011 449**	**91 288 178**	**84 638 651**	**30 989 599**

The difference between amount per bank statements and cash book is as a result of outstanding cheques that were subsequently paid by the bank after year end.

4. Inventories

Work in progress	86 795 959	14 725 486
Inventories operational	141 464	195 543
	86 937 423	**14 921 029**

Work in progress

During the year under reveiw the Department of water and sanitation had resolved in terms of a tripartite agreement that the GSDM assumed the role of an implementing agent for the respective projects in the Chief Albert Luthuli, Msukaligwa and Dipaleseng Local Municipalities in terms of the gazetted Dora Grant allocations that were transfered to GSDM. These projects are uncompleted multi year projects.

Inventories operational

Inventory stocks have been maintained throughout the financial year relating to the printing and stationery needs of all departments.

Inventory pledged as security

No inventory was pledged as security.

5. Receivables from exchange transactions

Other receivables	3 674 652	2 221 503
Department of Water and Sanitation	3 760 293	4 778 607
	7 434 945	**7 000 110**

Credit quality of Receivables from exchange transactions

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

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

5. Receivables from exchange transactions (continued)

Fair value of Receivables from exchange transactions

The carrying amounts of receivables from exchange transactions approximate their fair values.]

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R7 434 945 (2016:R7 000 110) were past due but not impaired.

6. Receivables from non-exchange transactions

Study bursaries	1 021 856	676 720
Accrued interest	22 444	199 276
	1 044 300	**875 996**

Receivables from non-exchange transactions past due but not impaired

Study bursaries from non-exchange transactions which are more than 3 months past due are not considered to be impaired. at 30 June 2017, R1 021 856 (2016:R 676 720) were past due but not impaired.

Accrued interest from non-exchange transactions which are less than 3 months past due are not considered to be impaired. at 30 June 2017, R22 444 (2016:R 199 276) were past due but not impaired.

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

1 month past due	22 444	199 276
More than 3 months past due	1 021 856	676 720

7. VAT receivable

VAT	23 443 834	8 154 917

The Municipality is registered on the payment basis for VAT purposes.

The District had inadvertently paid output VAT to SARS amounting to R11 944 677 on grant income which is deemed to be zero rated. This Regional Bulk infrastructure grant was transferred during the year under reveiw, and the GSDM was since appointed as implementing agent.

8. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain and portraits	159 250	-	159 250	154 250	-	154 250

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

8. Heritage assets (continued)

Reconciliation of heritage assets 2017

	Opening balance	Revaluation increase	Total
Mayoral chain and portraits	154 250	5 000	159 250

Reconciliation of heritage assets 2016

	Opening balance	Revaluation increase	Total
Mayoral chain and portraits	154 250	-	154 250

9. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 253 486	(931 068)	322 418	1 253 486	(804 629)	448 857

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	448 857	-	(126 439)	322 418

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	280 802	246 432	(78 377)	448 857

10. Other financial assets - investments

	2017	2016
Current assets		
Investments at approved financial institutions	80 000 000	-

These represent investment placed with approved financial institutions for an average term of four (4) months. The investments earn interest ranging from 7.90% to 7.98% per year.

11. 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	360 000	-	360 000	360 000	-	360 000
Buildings	310 210 435	(64 259 841)	245 950 594	310 078 435	(53 930 804)	256 147 631
Plant and equipment	926 725	(363 276)	563 449	537 865	(254 842)	283 023
Furniture and fixtures	7 439 195	(5 448 004)	1 991 191	4 458 529	(3 179 465)	1 279 064
Motor vehicles	11 556 583	(6 903 454)	4 653 129	9 520 371	(6 209 935)	3 310 436
Office equipment	3 175 416	(1 521 038)	1 654 378	2 408 799	(1 132 857)	1 275 942
IT equipment	6 394 820	(4 103 431)	2 291 389	5 198 758	(3 282 078)	1 916 680
Infrastructure	29 455 864	(13 635 241)	15 820 623	29 455 864	(11 387 920)	18 067 944
Construction vehicles	10 400 000	(3 741 888)	6 658 112	10 400 000	(2 690 760)	7 709 240
Other equipment	535 953	(67 908)	468 045	535 953	(57 197)	478 756
Building fixtures	6 459 823	(1 540 935)	4 918 888	6 459 823	(1 282 614)	5 177 209
Communication equipment	67 897	(58 430)	9 467	145 786	(74 005)	71 781
Other leased Assets	2 788 548	(234 082)	2 554 466	-	-	-
Laboratory equipment	4 521 672	(2 671 800)	1 849 872	4 125 403	(2 202 062)	1 923 341
Park facilities	691 475	(133 743)	557 732	691 475	(107 968)	583 507
Emergency vehicles	4 101 870	(3 964 595)	137 275	4 101 870	(3 827 327)	274 543
Work in progress	4 797 505	-	4 797 505	2 558 279	-	2 558 279
Total	**403 883 781**	**(108 647 666)**	**295 236 115**	**391 037 210**	**(89 619 834)**	**301 417 376**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Revaluations	Acc depr/impairment written back with disposals	Depreciation	Total
Land	360 000	-	-	-	-	-	360 000
Buildings	256 147 631	132 000	-	-	-	(10 329 037)	245 950 594
Plant and equipment	283 023	80 295	-	308 566	-	(108 435)	563 449
Furniture and fixtures	1 279 064	79 633	-	2 901 033	-	(2 268 539)	1 991 191
Motor vehicles	3 310 436	2 746 612	(710 400)	-	433 952	(1 127 471)	4 653 129
Office equipment	1 275 942	646 721	(20 982)	140 879	19 162	(407 344)	1 654 378
IT equipment	1 916 680	404 330	(134 254)	925 987	95 655	(917 009)	2 291 389
Infrastructure	18 067 944	-	-	-	-	(2 247 321)	15 820 623
Construction vehicles	7 709 240	-	-	-	-	(1 051 128)	6 658 112
Other equipment	478 756	-	-	-	-	(10 711)	468 045
Building fixtures	5 177 209	-	-	-	-	(258 321)	4 918 888
Communication equipment	71 781	-	(77 889)	-	43 866	(28 291)	9 467
Other leased Assets	-	2 788 548	-	-	-	(234 082)	2 554 466
Laboratory equipment	1 923 341	346 741	-	49 528	-	(469 738)	1 849 872
Park facilities	583 507	-	-	-	-	(25 775)	557 732
Emergency vehicles	274 543	-	-	-	-	(137 268)	137 275
Work in progress	2 558 279	2 239 226	-	-	-	-	4 797 505
	301 417 376	**9 464 106**	**(943 525)**	**4 325 993**	**592 635**	**(19 620 470)**	**295 236 115**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Accumulated depreciation written back with disposal	Depreciation	Impairment loss	Total
Land	360 000	-	-	-	-	-	360 000
Buildings	266 504 790	-	-	-	(10 357 172)	13	256 147 631
Plant and equipment	351 068	29 800	-	-	(97 845)	-	283 023
Furniture and fixtures	1 901 121	-	(37 198)	34 224	(619 043)	(40)	1 279 064
Motor vehicles	4 240 133	-	(124 540)	116 027	(921 184)	-	3 310 436
Office equipment	1 033 519	571 120	(1 832 310)	1 823 473	(299 552)	(20 308)	1 275 942
IT equipment	2 464 985	362 594	(32 736)	17 798	(856 938)	(39 023)	1 916 680
Infrastructure	20 321 622	-	-	-	(2 253 678)	-	18 067 944
Construction vehicles	8 751 376	-	-	-	(1 042 136)	-	7 709 240
Other equipment	489 497	-	-	-	(10 741)	-	478 756
Building fixtures	5 436 132	-	-	-	(258 923)	-	5 177 209
Communication equipment	16 967	152 613	(79 247)	69 987	(71 702)	(16 837)	71 781
Other leased Assets	42 000	-	-	-	(42 000)	-	-
Laboratory equipment	2 189 020	287 702	-	-	(553 355)	(26)	1 923 341
Park facilities	609 332	-	-	-	(25 825)	-	583 507
Emergency vehicles	685 572	-	-	-	(411 029)	-	274 543
Work in progress	1 999 602	558 677	-	-	-	-	2 558 279
	317 396 736	**1 962 506**	**(2 106 031)**	**2 061 509**	**(17 821 123)**	**(76 221)**	**301 417 376**

Pledged as security

No assets have been pledged as security:

Remaining useful life extension

The remaining useful life of assets are assessed based on the condition of the asset and extended from 10 years to 12 years per the fixed asset policy. As a result of the extension on emergency vehicles, depreciation amounts to R 197 742 less than what it would have amounted to.

Reconciliation of Work-in-Progress 2017

	Included within Other PPE	Total
Opening balance	2 558 279	2 558 279
Additions/capital expenditure	2 239 226	2 239 226
	4 797 505	**4 797 505**

Reconciliation of Work-in-Progress 2016

	Included within Other PPE	Total
Opening balance	1 999 602	1 999 602
Additions/capital expenditure	558 677	558 677
	2 558 279	**2 558 279**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

12. Payables from exchange transactions

Accrual payables	-	1 985 986
Health payments	24 743	24 811
Other creditors	381 200	895 712
Staff leave pay	8 984 177	7 802 147
Retentions	11 463 567	8 840 995
Trade payables	62 168 777	21 822 436
	83 022 464	**41 372 087**

Accruel payables

During the year under reveiw there were no transcactions that may be classified as accrual payables as the cut off procedures have been strictly applied.

Trade payables

A material portion of trade payables relates to the regional bulk infrastructure grant projects that will be paid in the next reporting period which relates to the worked performed for the period under reveiw.

Retention

Due to the uncompleted multi year projects the retention amount increased in the year under reveiw.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural roads asset management systems grant	138 632	73 424
Infrastructure skills development grant	-	1 682 723
Data cleansing grant	-	233 806
COGTA	-	1 097 159
Department of water and sanitation	27 869 112	-
	28 007 744	**3 087 112**

Movement during the year

Balance at the beginning of the year	3 087 112	2 429 866
Additions during the year	109 327 000	13 999 000
Income recognition during the 6 months and amounts paid back	(84 406 368)	(13 341 754)
	28 007 744	**3 087 112**

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

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

See note 20 for reconciliation of grants from National/Provincial Government:

The amount of R1 682 723 was paid back to National Treasury as the rollover was not approved.
.
These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

14. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for staff bonuses	2 005 067	2 253 565	-	(2 005 067)	-	2 253 565
Provision for performance bonuses	595 418	625 742	-	(249 498)	-	971 662
Provision for long service awards	4 327 000	250 548	-	-	-	4 577 548
	6 927 485	**3 129 855**	**-**	**(2 254 565)**	**-**	**7 802 775**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Provision staff bonuses	1 875 625	129 442	-	-	-	2 005 067
Provision performance bonuses	1 081 439	-	(486 021)	-	-	595 418
Provisions for long service awards	3 522 000	564 000	(236 000)	343 000	134 000	4 327 000
	6 479 064	**693 442**	**(722 021)**	**343 000**	**134 000**	**6 927 485**

Non-current liabilities	4 577 548	4 327 000
Current liabilities	3 225 227	2 600 485
	7 802 775	**6 927 485**

Provision for staff bonuses

Staff bonus to employees is in accordance with the collective bargaining agreement. Provision is made for the full cost of accrued bonuses at reporting date. The provision will be realised as employees bonuses are paid out. Additions relates to full financial impact per department for the period under reveiw.

Provision for performance bonuses

Performance bonuses are being paid to the Accounting officer and General Managers after evaluation of performance. No performance bonus was paid for the reporting period.

Provision for long service awards

Benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employees long service award is projected to the next interval by allowing for future salary growth.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

15. Finance lease obligation

Minimum lease payments due		
- within one year	1 364 793	-
- in second to fifth year inclusive	2 411 652	-
	3 776 445	-
less: future finance charges	(1 154 623)	-
Present value of minimum lease payments	**2 621 822**	**-**
Present value of minimum lease payments due		
- within one year	742 213	-
- in second to fifth year inclusive	1 879 609	-
	2 621 822	**-**
Non-current liabilities	1 879 609	-
Current liabilities	742 213	-
	2 621 822	**-**

Gert Sibande District Municipality leases certain computer and office equipment under finance leases from Vodacom and Nashua.

The average lease term is 2-3 years and the effective borrowing rate was 10.5%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Retirement benefit obligations

Defined benefit plan

Post retirement medical aid plan

The post employement medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by member basis, taking into account matters arising in respect of principal member and their spouses. Ages were calculated as age last birthday on 30 June 2016.

The Project Unit Credit Methord was used as prescribed by GARP25. This method is based on the approximation that the post-retirement benefit is normally built up over the employee's working life.

The acturial valuation of PRMA liablity involves the following:

The projection of future post-retirement medical contribution subsidy cashflow, taking in to account probabilities of survival withdraw, ill-health retirement, and death in service.The medical contribution subsidies in respect of the audit dependants of employees. Increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in current Rand terms.

The amount represents the municipality's liability for post-employment medical aid benefit for the two remaining pensioners under the new defunctional plan. Current employees do not enjoy post-retirement medical aid benefits.

Employees of the municipality belong to the approved Pension Funds. These are defined contribution plans. The municipality has no legal or contractual obligation to pay futher contributions. Contributions are recognised as an expense in the statement of financial performance in the year in which they become payable.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

16. Retirement benefit obligations (continued)

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

Carrying value		
Balance at 1 July	(724 000)	(301 000)
Contributions paid	72 000	70 000
Interest costs	(63 000)	(23 000)
Actuarial gain	(40 964)	(470 000)
	(755 964)	**(724 000)**

17. Revenue

Health income	206 176	392 986
Income from municipal entities	-	288 679
Other income	3 279 538	2 282 503
Interest received - investment	14 853 282	8 048 875
Government grants & subsidies	358 478 445	288 311 093
Public contributions and donations	530 543	-
	377 347 984	**299 324 136**

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

Health Income	206 176	392 986
Income from Municipal entities	-	288 679
Other income	3 279 538	2 282 503
Interest received - investment, trade and other receivables	14 853 282	8 048 875
	18 338 996	**11 013 043**

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

Transfer revenue		
Government grants & subsidies	358 478 445	288 311 093
Public contributions and donations	530 543	-
	359 008 988	**288 311 093**

18. Other income

LG Seta	215 506	176 554
Laboratory income	2 794 364	1 630 423
Refund telephone	72 158	89 384
Retention realised	39 767	72 392
Sundry	122 875	137 276
Tender deposits	34 868	176 474
	3 279 538	**2 282 503**

19. Interest received - investments and other receivables

Interest revenue		
Bank	14 727 805	8 048 875
Interest charged on receivables	125 477	-
	14 853 282	**8 048 875**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

20. Government grants and subsidies

Equitable share	12 494 000	14 931 000
Financial management grant (FMG)	1 250 000	1 250 000
Municipal systems improvement grant (MSIG)	-	940 000
Revenue replacement grant	263 261 000	256 040 000
COGTA	1 097 159	794 148
CBPWP / EPWP grant	3 113 000	2 676 000
Infrastructure skills development grant (ISDG)	5 500 000	5 317 277
Data cleansing grant	233 806	303 753
Rural road asset managemnet systems grant (RAMS)	2 134 792	2 060 576
Department of water and sanitation(DWS)	69 394 688	3 998 339
	358 478 445	**288 311 093**

Equitable Share

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

Revenue replacement grant

Current-year receipts	263 261 000	256 040 000
Transferred to revenue	(263 261 000)	(256 040 000)
	-	-

The purpose of the revenue replacement grant is to fund basic infrastructure within the areas and funding business administration costs.

Municipal systems improvement grant

Current-year receipts	-	940 000
Conditions met - transferred to revenue	-	(940 000)
	-	-

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal systems act and related legislation..

Finance management grant

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

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

CBPWP/EPWP grant

Current-year receipts	3 113 000	2 676 000
Conditions met - transferred to revenue	(3 113 000)	(2 676 000)
	-	-

To incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

Road asset management grant (RAMS)

Balance unspent at beginning of year	73 424	1 000
Current-year receipts	2 200 000	2 133 000
Conditions met - transferred to revenue	(2 134 792)	(2 060 576)
	138 632	**73 424**

Conditions related to training of technicians still to be executed - remaining liabilities (see note 13).

To assist rural district municipalities to set up rural roads asset management systems.

Infrastructure skills development grant(ISDG)

Balance unspent at beginning of year	1 682 723	-
Current-year receipts	5 500 000	7 000 000
Conditions met - transferred to revenue	(5 500 000)	(5 317 277)
Paid back	(1 682 723)	-
	-	**1 682 723**

To strengthen capacity of local government , to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available.

Data cleansing Grant

Balance unspent at beginning of year	233 806	537 559
Conditions met - transferred to revenue	(233 806)	(303 753)
	-	**233 806**

To assist municipalities with the implementation of geographic information systems and related projects.

COGTA

Balance unspent at beginning of year	1 097 159	1 891 307
Conditions met - transferred to revenue	(1 097 159)	(794 148)
	-	**1 097 159**

To assist municipalities with reticulation interventions to improve service delivery and reduce interruptions as well as bulk supply and sanitation.

Department of water and sanitation(DWS)

Current-year receipts	97 263 800	3 998 339
Conditions met - transferred to revenue	(69 394 688)	(3 998 339)
	27 869 112	**-**

The main reason relates to the unspent amount is as a result of the late approval and implementation of the Dipaleseng project.

Conditions still to be met - remaining liabilities (see note 13).

To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water .

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

21. Public contributions and donations

Donations received	530 543	-

Conditions still to be met - remain liabilities (see note 13)

Provide explanations of conditions still to be met and other relevant information

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

22. Employee related costs

Basic	63 538 285	57 475 049
Bonus	5 679 098	4 889 283
Medical aid - company contributions	4 291 249	4 267 378
UIF	412 296	383 813
Leave pay accrual charge	2 966 148	2 539 482
Group insurance	1 202 817	1 066 801
Pension fund	12 448 947	11 158 597
Bargaining council	20 136	18 588
Overtime payments	1 433 422	1 377 446
Car allowance	10 692 352	9 396 658
Housing benefits and allowances	747 160	598 172
Uniforms	-	290 918
Telephone allowance	932 723	-
	104 364 633	**93 462 185**

Remuneration of municipal manager - Habile CA

Annual Remuneration	1 020 469	939 966
Car Allowance	240 000	240 000
Performance Bonuses	-	147 868
Contributions to UIF, Medical and Pension Funds	161 744	161 744
	1 422 213	**1 489 578**

Remuneration of chief finance officer - Singh AY

Annual Remuneration	1 046 790	959 587
Car Allowance	180 000	180 000
Performance Bonuses	-	159 062
Contributions to UIF, Medical and Pension Funds	13 784	13 785
	1 240 574	**1 312 434**

Municipal Infrastructure - Thabethe ME

Annual Remuneration	179 084	-
Car Allowance	45 000	-
Contributions to UIF, Medical and Pension Funds	31 871	-
	255 955	**-**

Planning services - Zikalala S

Annual Remuneration	971 310	884 108
Car Allowance	96 000	96 000
Performance Bonuses	-	137 992
Contributions to UIF, Medical and Pension Funds	173 264	173 264
	1 240 574	**1 291 364**

Corporate services - Dlamini MS

Annual Remuneration	1 013 096	804 556
Car Allowance	160 527	192 632
Performance Bonuses	-	126 999
Contributions to UIF, Medical and Pension Funds	90 786	108 944
	1 264 409	**1 233 131**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

22. Employee related costs (continued)

Community and social services - Kunene M

Annual Remuneration	1 151 583	914 010
Car Allowance	108 000	96 000
Performance Bonuses	-	169 251
Contributions to UIF, Medical and Pension Funds	146 753	146 745
	1 406 336	**1 326 006**

Total employment cost

Annual Remuneration - other employees	104 364 633	93 462 185
Annual Remuneration - key management personnel	6 830 061	6 652 513
	111 194 694	**100 114 698**

23. Remuneration of councillors

Executive Major	927 070	942 780
Mayoral Committee Members	3 616 509	3 006 735
Speaker	749 672	758 396
Councillors	5 363 026	5 657 824
Mayoral committee contributions and other allowances	478 043	378 030
Councillors contributions and other allowances	459 308	564 552
	11 593 628	**11 308 317**

Notes to the Annual Financial Statements for the year ended 30 June 2017

23. Remuneration of councillors (continued)

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

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

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

Executive Mayor	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical	Total
Chirwa MG	523 165,65	199 440,50	25 745,46	75 155,90	823 507,51
Nhlabathi MPP	68 437,38	25 317,66	2 292,32	7 515,59	103 562,95
	591 603,03	**224 758,16**	**28 037,78**	**82 671,49**	**927 070,46**

Mayoral committe	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical	Total
Buthelezi BM	374 532,97	150 332,72	20 381,82	76 465,30	621 712,81
Dhlamini ES	379 078,50	150 332,72	20 381,82	71 920,40	621 713,44
Maboa Boltman NF	50 075,79	18 988,21	2 292,32	6 888,86	78 245,18
Maboea SA	49 525,66	18 988,21	2 292,32	7 439,00	78 245,19
Magagula MP	51 327,96	18 988,21	2 292,32	5 636,68	78 245,17
Masina LL	367 267,82	150 332,72	20 381,82	83 731,08	621 713,44
Motha VM	48 017,23	18 988,21	2 292,32	8 947,40	78 245,16
Nhlapo NS	381 661,56	150 332,72	20 381,82	78 183,32	630 559,42
Nhlengethwa DG	391 194,42	150 332,72	20 381,82	59 804,48	621 713,44
Nyembe FM	50 075,79	18 988,21	2 292,32	6 888,86	78 245,18
Sekhonde BG	376 844,93	150 332,72	20 381,82	74 053,97	621 613,44
Zuma NG	51 327,96	18 988,21	2 292,32	5 636,68	78 245,17
	2 570 930,59	**1 015 925,58**	**136 044,84**	**485 596,03**	**4 208 497,04**

Speaker	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical	Total
Dhlamini ES	53 497,61	20 254,11	2 292,32	7 264,63	83 308,67
Nkosi M	420 338,44	160 154,38	25 745,46	60 124,60	666 362,88
	473 836,05	**180 408,49**	**28 037,78**	**67 389,23**	**749 671,55**

Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical	Total
Mnisi TA	50 354,05	18 988,21	2 292,32	6 610,60	78 245,18
Nkosi SGT	396 160,62	150 332,72	20 381,82	56 366,80	623 241,96
	446 514,67	**169 320,93**	**22 674,14**	**62 977,40**	**701 487,14**

Councillors	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical	Total
Bal JA	23 819,62	7 939,83	-	-	31 759,45
Bongwe JS	962,00	-	-	-	962,00
Bosch PR	3 348,76	1 116,25	-	-	4 465,01
Botha C	27 621,53	9 207,10	-	-	36 828,63
Brussow JLI	37 523,00	12 507,63	-	-	50 030,63
De Ville JR	37 640,96	12 547,03	-	-	50 187,99
De Vries GR	27 621,53	9 207,10	-	-	36 828,63
Dube JJ	21 023,88	7 631,26	2 292,32	2 265,35	33 212,81
	-	-	-	-	-

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

23. Remuneration of councillors (continued)

Greyling GS	37 523,07	12 507,63	-	-	50 030,70
Hlatshwayo B	4 756,00	6 033,28	-	-	10 789,28
Joubert LK	170 104,02	72 217,91	22 674,14	49 529,14	314 525,21
Karim LS	173 418,56	64 586,65	20 381,82	22 925,33	281 312,36
Khumalo MJ	34 154,64	11 384,85	-	-	45 539,49
Khumalo MS	33 570,90	11 190,34	-	-	44 761,24
Kubheka MN	194 442,14	72 217,91	20 381,82	25 190,68	312 232,55
Labuschagne PJ	3 348,76	1 116,25	-	-	4 465,01
Maboa Boltman NF	6 734,00	-	-	-	6 734,00
Maboea SA	198 017,54	81 720,36	20 381,82	48 877,60	348 997,32
Madonsela EM	4 070,06	1 356,69	-	-	5 426,75
Madonsela ME	33 453,01	11 150,94	-	-	44 603,95
Mahlangu BD	3 348,76	1 116,25	-	-	4 465,01
Mahlangu H	19 824,97	7 631,26	2 292,32	3 517,52	33 266,07
Mahlobo MA	6 680,00	13 048,10	-	-	19 728,10
Makhubu ML	7 696,00	-	-	-	7 696,00
Makola BM	30 970,29	10 323,35	-	-	41 293,64
Malatsi PV	1 924,00	-	-	-	1 924,00
Malatsi PV	4 810,00	-	-	-	4 810,00
Masango SA	3 348,76	1 116,25	-	-	4 465,01
Maseko BP	4 070,06	1 356,69	-	-	5 426,75
Masina LL	962,00	-	-	-	962,00
Masondo TS	33 570,83	11 190,24	-	-	44 761,07
Mathebula SB	27 621,53	9 207,10	-	-	36 828,63
Mazibuko KD	27 621,53	9 207,10	-	-	36 828,63
Mazibuko KM	30 943,54	10 314,48	-	-	41 258,02
Mbhele JS	34 154,67	11 384,85	-	-	45 539,52
Mkhwanazi CB	33 453,01	11 150,94	-	-	44 603,95
Mkhwanazi LVA	4 070,06	1 356,69	-	-	5 426,75
Mkhwanazi ZG	3 348,76	1 116,25	-	-	4 465,01
Mlotshwa TL	194 082,03	72 217,91	20 381,82	25 190,68	311 872,44
Mnisi SM	5 026,00	7 522,22	-	-	12 548,22
Moloi LE	5 996,08	8 673,78	-	-	14 669,86
Motha TW	4 070,06	1 356,69	-	-	5 426,75
Msibi GS	29 568,69	9 793,48	17 943,32	2 907,31	60 212,80
Mthethwa TB	1 433,75	54,00	-	-	1 487,75
Mtshali BH	198 793,23	81 720,39	20 381,82	49 063,14	349 958,58
Mukhwanazi AO	27 621,53	9 207,10	-	-	36 828,63
Ndinisa BJ	3 348,76	1 116,25	-	-	4 465,01
Ngubeni A	34 154,67	11 384,85	-	-	45 539,52
Ngwenya M	218 115,42	81 720,31	20 381,82	28 779,08	348 996,63
Nhlapo JV	54,00	-	-	-	54,00
Nhlapo NS	110 349,15	41 428,74	2 292,32	17 239,15	171 309,36
Nkosi AD	4 070,06	1 356,69	-	-	5 426,75
Nkosi DP	7 696,00	-	-	-	7 696,00
Nkosi KP	173 418,56	64 586,65	20 381,82	22 925,33	281 312,36
Nkosi MJ	27 621,53	9 207,10	-	-	36 828,63
Nkosi MS	5 772,00	-	-	-	5 772,00
Nkosi SM	5 026,00	7 522,22	-	-	12 548,22
Nkosi TM	2 886,00	3 890,87	-	-	6 776,87
Nkosi VL	38 224,73	11 384,85	-	-	49 609,58
Shiba BP	3 848,00	-	-	-	3 848,00
Shongwe MD	26 868,69	9 793,48	2 292,32	2 907,21	41 861,70
Sibanyoni SI	27 621,53	9 207,10	-	-	36 828,63
Sibeko PT	10 655,11	3 551,68	-	-	14 206,79
Soko JP	4 070,06	4 070,10	-	-	8 140,16
Thwala DM	4 070,06	1 356,69	-	-	5 426,75
Tshabalala AJ	4 064,00	5 367,59	-	-	9 431,59
Victor NS	3 348,76	1 116,25	-	-	4 465,01
Weber WL	19 889,07	7 631,25	2 292,32	3 400,13	33 212,77

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

23. Remuneration of councillors (continued)

Yende MT	10 528,00	17 344,90	-	-	27 872,90
Zacarias SM	4 070,06	1 356,69	-	-	5 426,75
Zulu NN	379 086,67	146 011,46	20 381,82	57 474,92	602 954,87
Zulu TSM	33 452,94	11 150,94	-	-	44 603,88
Zwane LA	194 442,44	72 217,91	66 878,97	25 190,68	358 730,00
Zwane TE	4 070,06	1 356,69	-	-	5 426,75
	3 178 986,45	**1 220 835,39**	**282 012,59**	**387 383,25**	**5 069 217,58**

24. Depreciation and amortisation

	2017	2016
Property, plant and equipment	19 620 464	17 821 125
Intangible assets	126 439	78 377
	19 746 903	**17 899 502**

25. Finance costs

	2017	2016
Long service awards	451 000	484 314
Finance leases	151 209	-
Post retirement medical benefit	63 000	-
	665 209	**484 314**

26. Repairs and maintenance

	2017	2016
Building	4 541 965	3 552 766
Fuel and oil	-	1 894 795
Office equipment	14 257	8 477
Vehicles	2 112 288	704 686
	6 668 510	**6 160 724**

27. Contracted services

	2017	2016
Information Technology Services	-	1 677 852
Cleaning and maintenace	-	113 177
	-	**1 791 029**

28. Grants and subsidies paid

Other subsidies

	2017	2016
Grant paid to local municipalities	93 334 614	123 241 637

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

29. General expenses

Advertising	362 481	471 178
Auditors remuneration	3 417 623	3 931 476
Bank charges	160 298	155 621
Cleaning	695 233	704 532
Conferences and seminars	50 746	50 912
Consulting and professional fees	1 342 302	2 262 995
Contracted security services (Guarding of municipal property)	3 617 584	2 874 535
Entertainment	1 409 445	898 237
Equipment	232 503	435 349
Forums	-	5 516
IT expenses	669 882	421 497
Insurance	1 447 033	1 328 837
Motor vehicle expenses	2 164 950	-
Municipal and other services	3 814 620	3 671 956
Postage and courier	9 008	10 318
Printing and stationery	356 979	518 496
Protective clothing	245 912	-
Rental equipment	3 711 421	2 342 727
Royalties and license fees	1 923 142	1 920 862
Subscriptions and membership fees	1 506 431	1 391 725
Technical Support	1 384 037	1 070 803
Telephone and fax	2 631 594	2 848 287
Training	1 758 516	1 762 828
Travel - local	5 902 721	5 551 443
Workmen's compensation	755 989	1 357 719
	39 570 450	**35 987 849**

30. Auditors' remuneration

Fees	3 417 623	3 931 476

31. Fair value adjustments

Property, plant and equiment	4 330 992	-

This relates to initial recognition of certain items of property, plant and equipment at fair value following discovery of assets which were not in the books of the municipality.

32. Commitments

This committed expenditure relates to property and projects as well as operational commitments and will be financed by retained surpluses, existing cash resources and funds internally generated.

Capital commitments - already contracted for but not provided for		
- Property, plant and equipment	27 872 202	6 825 886
Operating commitments - already contracted for but not provided for		
- Projects and operations	79 823 246	11 395 123
	107 695 448	**18 221 009**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

33. Cash generated from operations

	2017	2016
Surplus	98 157 690	19 219 352
Adjustments for:		
Depreciation and amortisation	19 746 903	17 899 502
Gain on disposal of assets	230 890	33 277
Loss on termination of partnership	-	(17 556 188)
Fair value adjustments	(4 330 992)	-
Finance costs - Finance leases	151 209	-
Impairment loss	-	76 222
Movements in retirement benefit obligation	31 964	423 000
Movements in provisions	875 290	448 421
Accrued interest	(22 444)	-
Donated assets	(530 543)	-
Changes in working capital:		
Inventories	(72 016 394)	7 605 600
Receivables from exchange transactions	(434 827)	1 031 550
Movement in other receivables	(145 862)	(6 433)
Payables from exchange transactions	41 650 377	1 362 941
Movement in VAT receivable	(15 288 917)	(2 313 925)
Unspent conditional grants and receipts	24 920 632	657 246
	92 994 976	**28 880 565**

34. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	7 434 945	7 434 945
Other receivables from non-exchange transactions	-	1 044 300	1 044 300
Cash and cash equivalents	91 296 278	-	91 296 278
Other financial assets - investments	-	80 000 000	80 000 000
	91 296 278	**88 479 245**	**179 775 523**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

. **Financial instruments disclosure (continued)**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	83 022 464	83 022 464
Finance lease obligations	2 621 822	2 621 822
	85 644 286	**85 644 286**

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	7 000 110	7 000 110
Other receivables from non-exchange transactions	-	875 996	875 996
Cash and cash equivalents	84 644 252	-	84 644 252
	84 644 252	**7 876 106**	**92 520 358**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	41 372 087	41 372 087

Figures in Rand	2017	2016

35. Leases

This committed expenditure relates to rental of office equipment from Nashua as well as an office in Evander from Govan Mbeki LM which will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated..

Nashua
Significant leasing arrangements include:
- that there is no contingent rent payable
- there is no renewal or purchase options in the rental contract and there is no provision for escalation
- there is no restrictions imposed by lease arrangements, such as return of net surplus, return of capital contricbutions, dividends or similar distributions, additional debt and further leasing.

Govan Mbeki LM

Significant leasing arrangements include:
- that there is no contingent rent payable
- there is no purchase option in the rental contract and there is provision for 5% escalation per year
- there is no restrictions imposed by lease arrangements, such as return of net surplus, return of capital contricbutions, dividends or similar distributions, additional debt and further leasing.

Authorised operational expenditure

Nashua & Govan Mbeki LM	146 965	437 304

Rental is payable on or before the commencement date of the contract and subsequent payments shall be payable on or before the first day of the following month over a period of 36 months..

Operating leases commitments - as lessee (expense)

Minimum lease payments due		
- within one year	146 965	371 520
- in second to fifth year inclusive	-	20 865
	146 965	**392 385**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment and rental of an office. Leases are negotiated for a term of 3 years. The Nashua lease has no escalation applicable but the Govan Mbeki LM lease is subject to a 5% per year increase. No contingent rent is payable.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

36. Contingencies

Contingent liabilities for the period ended 30 June 2016

Inhlakanipho Consultants-Contractual

The dispute arose out of tender 11/2007: Upgrading of Empulizi Water Treatment Works

Plaintiff is claiming R3 402 596. Inhlakanipho Consultants-Contractual appointed for R4 000 000 that included the planning and the construction of the project. Inhlakanipho acted out of the scope of the appointment. The municipality then only paid for planning and the construction as per the appointed letter. The R3 402 596 that Inhlakanipho is claiming is the pre planning of future constuction work. The matter was set down for trial on 8 Septemeber 2015 but was postponed on account of the applicant.

L**itigation employee**

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1 000 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. A court date is awaited.

Hlakoapitsi

Litigation is in the process against the municipality relating to a dispute with Hlokoapitse for paying a subcontractor directly and not to the main contractor and they are seeking damages of R 200 000. Judgement was received on 17 March 2015 in favour of GSDM. Hlakoapitsi might take GSDM on trial.

Federation for Sustainable Enviroment

Matter was withdrawn, cost estimated to amount to R 450 000.Matter is pending with cost instruction to be determined.

Aqua Transport & Plant Hire vs GSDM

Plaintiff is suing council to the amount of R 47 570 in respect of services rendered at councils special instance and request. The matter is before the Ermelo Magistrates court and the total financial implication could be R 90 570 inclusive of legal fees. GSDM applies for rescision of judgement and migistarte ruled in municipality's fovour.

Tactical Security Services CC vs GSDM

Plaintiff is suing council to the amount of R 1 013 990 in respect of services rendered on behalf of councils, however no resolution was apporved in this regard. The matter is before the high court (Gauteng Division Pretoria) and the total implication could be R 1 403 990 inclusive of legal fees. The matter is set down for trial.

Watco Consulting vs GSDM

Plaintiff is suing council to the amount of R 134 546 in respect of damages, suffered by the plaintiff as a result of a motor vehicle accident. The matter will be in front of the Ermelo Magistrate's court under case number 3411/2015 and the total financial implication for council, including legal fees amount to R 228 546. There is a good prospect of defence as the plaintiff failed to comply with legal requirements.

36. Contingencies (continued)

Nedbank vs GSDM

Council is seeking an opinion and verification that all VAT obligations were honoured by the Trust which was established to purchase the council offices in Secunda. The Trust was dissolved as the property was sold to a third party. A meeting was arranged with counsel on 23 May 2016 and her legal opinion is awaited. The anticipated legal fees should amount to R 160 000

<u>Contingent liabilities for the period ended 30 June 2017</u>

Inhlakanipho Consultants-Contractual

The dispute arose out of tender 11/2007: Upgrading of Empuluzi Water Treatment Works

Plaintiff is claiming R3 402 590. The estimated legal cost to date amounts to R 1 200 000. The matter is set down for trail.

Hlakoapitsi

Hlokoapitse is seeking damages of R 127 006. Judgement was received on 17 March 2015 in favour of GSDM.

Estimated legal cost is amounts to approxamitely R 200 000.

Federation for Sustainable Enviroment

Matter was withdrawn, cost estimated to amount to R 450 000.Awaiting application for cost.

A**qua Transport & Plant Hire vs GSDM**

Plaintiff is suing council to the amount of R 47 570. The matter is before the Ermelo Magistrates court. Legal fees is estimated at R 45 660. Awaiting notice of set down for witnesses and trial.

Tactical Security Services CC vs GSDM

Plaintiff is suing council to the amount of R 1 013 990 The matter is before the high court (Gauteng Division Pretoria) The estimated legal fees is R 397 000 to date. The matter is set down for witnesses and trial.

Watco Consulting vs GSDM

Plaintiff is suing council to the amount of R 134 546.The matter will be in front of the Ermelo Magistrate's court under case number 3411/2015. The estimated legal fees to date amounts to R 97 000. The matter is set down for witnesses and trial

Mr. M vs GSDM

Mr. M is suing council for the enforcement of a Labour Court order. The amount is yet to be determined. The legal cost to date amounts to R 460 000. Awaiting trial date.

BDW Eiendomme CC vs GSDM/VS Nzimande

BDW Eiendomme CC is suing council for R 53 107. The legal cost to date amounts to R 250 000. Pleadings in the matter are still being exchanged.

Detailed information on pending cases can be obtained in the claims register of the municipality.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

37. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report.
Controlled entities	Eastvaal Development Trust

Related party transactions

	2017	2016
Contributions paid to related parties		
SALGA	1 438 432	1 387 455
Distributions from entities		
Eastvaal Development Trust	-	13 573 875
Income from entities		
Eastvaal Development Trust	-	(288 679)

38. Prior period adjustments

Prior period error

Omission in payment for the Actuarial Valuation performed by Altimax who were sub- contracted by Grant Thornton for the year 2013/14 financial year. A comprehensive reconciliation of the Grant Thornton creditors account with their debtors ledger revealed the omission and payment was executed in the 2016/17 fnancial year.

Omission in payment for the rental of offices in Evander for the EHP's to Govan Mbeki Municipality. The invoice was only received in the 2016/17 financial year and the payment was executed.

A payment received was incorrectly allocated as sundry income instead of being credited against the debtor - F van den Berg - car wash stock.

Omission in payment for entertainment to Nando's. A reconciliation was performed after an outstanding amount was indicated in the 2016/17 financial year when the payment was also executed.

Lease payments for the previous financial year were ommitted in the prior year financial statements.

The correction of the errors resulted in the following adjustments to amounts previously reported in the financial statements for the year ended 30 June 2016:

Description of error	Statement of Financial Performance	Statement of financial position	Effect on opening accumulated surplus
Increase in general expenditure - auditors remuneration	25 080	(25 080)	-
Increase in general expenditure - rental of offices	120 000	(120 000)	-
Decrease in other income - other receivables	23 171	(23 171)	-
Increase in general expenditure - entertainment	15 892	(15 892)	-
Increase in community participation expenses for grants and subsidies	23 750	(23 750)	-
Effect of straight-linning of operating leases	6 100	(6 100)	-
	213 993	**(213 993)**	**-**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

38. Prior period adjustments (continued)

Statement of financial position

30 June 2016	Amounts previously reported	Correction of error	Amounts restated
Receivables from exchange transactions	199 276	6 800 834	7 000 110
Receivables from mom exchange transactions	7 023 280	(6 147 284)	875 996
Other receivables	676 720	(676 720)	-
Payables from exchange transactions	(41 181 264)	(190 823)	(41 372 087)
Accumulated surplus	(365 720 096)	213 993	(365 506 103)
	(399 002 084)	**-**	**(399 002 084)**

Statement of Financial Performance

30 June 2016	Amounts previously reported	Correction of error	Amounts restated
Other income	2 305 673	23 170	2 328 843
Lease rentals on operating lease	437 304	126 100	563 404
Grants and subsidies	123 217 887	23 750	123 241 637
General expenses	35 946 876	40 973	35 987 849
	161 907 740	**213 993**	**162 121 733**

Cash Flow Statement

30 June 2016	Amounts previously reported	Correction of error	Amounts restated
Net cash flow from operating activities	28 800 571	(6)	28 800 565
Net cash flow from investing activities	11 316 683	-	11 316 683
Net cash flow from financiang activities	13 451 805	-	13 451 805
	53 569 059	**(6)**	**53 569 053**

39. Risk management

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.Management ratio's are also prepared and monitored on a monthly basis.

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.

Market risk

Interest rate risk

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

40. Events after the reporting date

There was no evidence of any material event that occured after the reporting date that may have an impact on the results reflected in these financial statements as at the reporting date.

41. Fruitless and wasteful expenditure

Opening balace	-	35 502
Less: Fruitless and wastefull expenditure - written back/impaired	-	(35 502)
	-	**-**

42. Irregular expenditure

Opening balance	37 442	98 800
Add: Irregular Expenditure - current year	-	37 442
Less: Irregular Expenditure - prior year - written back/impaired	-	(98 800)
	37 442	**37 442**

Analysis of expenditure awaiting Council resolution for approval of write-back

Gert Sibande Sport Federation (Payment voucher 608248) - Included in Statutory register	-	20 000
Deaf Fedaration of South (Payment voucher 611934) - Included in Statutory register	-	17 442
	-	**37 442**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 438 432	1 387 455
Amount paid - current year	(1 438 432)	(1 387 455)
	-	**-**

Audit fees

Current year subscription / fee	3 722 500	4 421 244
Amount paid - current year	(3 722 500)	(4 421 244)
	-	**-**

PAYE and UIF

Current year subscription / fee	21 352 664	18 913 243
Amount paid - current year	(21 352 664)	(18 913 243)
	-	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	28 404 757	26 354 309
Amount paid - current year	(28 404 757)	(26 354 309)
	-	**-**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

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

VAT

VAT receivable	23 443 834	8 154 917

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

44. Deviations from supply chain management regulations

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

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

Deviations for 2016

The amount for deviations as at 30 June 2016 was R 3 564 460.

Deviations for the period up to 30 June 2017

The amount for deviations as at 30 June 2017 is R3 032 375.46.

DATE:	DEPARTMENT/ PAYMENT NO:	SUPPLIER	AMOUNT(EXCL .VAT)		DEVIATION	REASON FOR DEVIATION
2016/01/07	Corporate Service - 612221	Nyapotse Inc. Attorneys	R	6 966,64	No quotations obtained	Attorneys were previously appointed and this matter has since been tabled at Council. However a legal ruling finanlising this matter is awaited, consequently this procurement was for the continuation of the legal services process.
15/07/2016	Office of the MM-612659	Government Printing Works	R	50 652,54	Only one quotation was obtained	Sole Services Provider for the printing of summons books for the municipalities in South Africa
15/07/2016	Office of the MM-612662	Government Printing Works	R	70 000,00	Only one quotation was obtained	Sole Services Provider for the printing of summons books for the municipalities in South Africa

44. Deviations from supply chain management regulations (continued)

29/07/2016	Corporate Service - 612801	J&J Wapens en Geweersmede T/A	R	2 574,01	No quotations obtained	The application was made to allow the South African Police to accredit the GSDM Institution to legally house a firearm. The proposed purchase of the fire arm will be under the auspices of administration.
19/08/2016	Corporate Service - 613052	Mohlaba & Moshoana	R	6 708,90	No quotations obtained	On - going legal case to attend to long services bonusses of employees and this matter was finally resolved in favour of the Council as per the Mpumalanga Conditions of Services Agreement. The matter related to the fact that organised labour was seeking five year bonus option payment for employees.
2016/08/09	Corporate Service - 613243	Mohlaba & Moshoana	R	144 666,00	No quotations obtained	On - going legal case to attend to long services bonusses of employees and this matter was finally resolved in favour of the Council as per the Mpumalanga Conditions of Services Agreement. The matter related to the fact that organised labour was seeking five year bonus option payment for employees.

44. Deviations from supply chain management regulations (continued)

2016/01/10	Technical Services - 613245	Klipplaatdrift Transport	R	237 006,00	Only one quotation sourced owing to emergency for water supply to community.	Correspondence was received from the Municipal Manager of Dr. Pixley Ka Isaka Seme requesting the District to urgently procure water tankers on its behalf for the Supply and delivery drinking water to farm dwellers. Hence this procurement is deemed to be an emergency.
2016/01/10	Technical Services - 613246	Klipplaatdrift Transport	R	150 103,80	Only one quotation sourced owing to emergency for water supply to community.	Correspondence was received from the Municipal Manager of Dr. Pixley Ka Isaka Seme requesting the District to urgently procure water tankers on its behalf for the Supply and delivery drinking water to farm dwellers. Hence this procurement is deemed to be an emergency.
2016/11/10	Technical Services - 613586	Jezrac Forestry	R	189 604,80	Only one quotation sourced owing to emergency for water supply to community.	Correspondence was received from the Municipal Manager of Dr. Pixley Ka Isaka Seme requesting the District to urgently procure water tankers on its behalf for the Supply and delivery drinking water to farm dwellers. Hence this procurement is deemed to be an emergency.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

44. Deviations from supply chain management regulations (continued)

2016/11/10	Technical Services - 613588	Foloyi Construction	R	134 064,00	Only one quotation sourced owing to emergency for water supply to community.	Following on from an urgent meeting that was held at the GSDM Offices. It was urgently resolved that water to Sheepmoor in order to alleviate the hardship that was being experienced by community as the boreholes had malfunctioned and there was no water for the community.
2016/11/10	Technical Services - 613602	Foloyi Construction	R	139 433,40	Only one quotation sourced owing to emergency for water supply to community.	Following on from an urgent meeting that was held at the GSDM Offices. It was urgently resolved that water to Sheepmoor in order to alleviate the hardship that was being experienced by community as the boreholes had malfunctioned and there was no water for the community.
2016/11/10	Technical Services - 613601	Siyembili Pty Ltd	R	233 550,00	Only one quotation sourced owing to emergency for water supply to community.	Following from an urgent meeting that was held at the GSDM Offices. It was urgently resolved that water to Lothair and Warburton in order to alleviate the hardship that was being experienced by the community as the boreholes had malfunctioned and there was no water for the community.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

44. Deviations from supply chain management regulations (continued)

2016/11/10	Technical Services - 613587	Siyembili Pty Ltd	R	186 840,00	Only one quotation sourced owing to emergency for water supply to community.	Following from an urgent meeting that was held at the GSDM Offices. It was urgently resolved that water to Lothair in order to alleviate the hardship that was being experienced by the community as the boreholes had malfunctioned and there was no water for the community.
13/10/2016	Technical Services - 613621	Alondwe's Projects	R	232 000,00	Only one quotation sourced owing to emergency for water supply to community.	Following from an urgent meeting that was held at the GSDM Offices. It was urgently resolved that water to Warburton and Sheepmoor in order to alleviate the hardship that was being experienced by the community as the boreholes had malfunctioned and there was no water for the community.
13/10/2016	Technical Services - 613617	Alondwe's Projects	R	170 280,00	Only one quotation sourced owing to emergency for water supply to community.	Following on from an urgent meeting that was held at the GSDM Offices. It was urgently resolved that water to Sheepmoor in order to alleviate the hardship that was being experienced by the community as the boreholes had malfunctioned and there was no water for the community.

44. Deviations from supply chain management regulations (continued)

2016/01/11	Office of the Municipal Manager - 613824	Forever Resorts Badplaas	R	199 949,00	This procurement was advertised for Request For Quotation and two quotations were received with R675 000 and R695 000 amounts which exceeds Requests For Quotation amounts. Hence, evaluations process to recommend for the award could not proceed.	A reasonable quotation within the Request For Quotation threshold amount was then obtained from Forever Resorts in Badplaas since the date to hold GSDM Strategic Planning had already been set and the invitations for other stakeholders to be in the meeting were already been issued.
30/11/2016	Corporate Services - 614326	Mohlala Attorneys	R	286 009,00	Only one quotation obtained	On - going legal services on the existing case
19/12/2016	Laboratory - 614647	SANAS	R	10 840,00	Sole Suppllier	In order for the first step of the initial assesment of acreditation by SANAS, this assesment fee has to be paid.
26/04/2017	Corporate Services - 616241	SAMSRA Office Gert Sibande	R	2 500,00	Only one quotation obtained	SALGA organised local municipal employees wellness games through SAMSRA as the main sport organising body in South Africa.
2016/07/11	Corporate Services - 616242	HTI Solutions	R	512 889,00	Only one quotaion was obtained	HTI Solutions organised a national conference on capacity building and professional development for councillors
2017/01/05	Planning - 615951	Kaqala Media (Pty)Ltd	R	17 100,00	Only one quotaion was obtained	SMME event exhibition through the DTI were the organisers of the exhibitions.

44. Deviations from supply chain management regulations (continued)

29/05/2017	Laboratory - 616713	SANAS	R	28 245,37	Only one quotaion was obtained	SANAS(South African National Standards) has a sole mandate for the accreditation of Laboratories
15/06/2017	Office of MM - 617058	IMFO	R	17 321,00	Only one quotaion was obtained	National treasury co-ordinate's and conducts workshops/ indaba through IMFO/CIGFARO
27/06/2017	Technical Services - 617224	ECSA	R	3 072,00	Only one quotaion was obtained	Engineering Council of SA has a sole mandate for Engineers in SA

GRAND TOTAL	**R**	**3 032 375,46**

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Appendix A
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Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2017 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
Structured loans								
Funding facility								
Development Bank of South Africa								
Bonds								
Other loans								
Lease liability								
Nashua / Vodacom			-	2 788 548	166 726	2 621 822	2 554 466	-
			-	**2 788 548**	**166 726**	**2 621 822**	**2 554 466**	**-**
Total external loans								
Lease liability			-	2 788 548	166 726	2 621 822	2 554 466	-
			-	**2 788 548**	**166 726**	**2 621 822**	**2 554 466**	**-**

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Appendix B
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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	360 000	-	-	-	-	**-**	**360 000**	-	-	-	-	-	**-**	360 000
Buildings (Separate for AFS purposes)	316 538 259	132 000	-	-	-	**-**	**316 670 259**	(55 213 431)	-	-	(10 587 358)	-	**(65 800 789)**	250 869 470
	316 898 259	**132 000**	**-**	**-**	**-**	**-**	**317 030 259**	**(55 213 431)**	**-**	**-**	**(10 587 358)**	**-**	**(65 800 789)**	**251 229 470**
Infrastructure														
Other 1	30 147 339	-	-	-	-	**-**	**30 147 339**	(11 495 889)	-	-	(2 273 096)	-	**(13 768 985)**	16 378 354
	30 147 339	**-**	**-**	**-**	**-**	**-**	**30 147 339**	**(11 495 889)**	**-**	**-**	**(2 273 096)**	**-**	**(13 768 985)**	**16 378 354**
Community Assets														

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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	154 250	-	-	-	5 000	-	**159 250**	-	-	-	-	-	-	159 250
	154 250	**-**	**-**	**-**	**5 000**	**-**	**159 250**	**-**	**-**	**-**	**-**	**-**	**-**	**159 250**
Specialised vehicles														
Fire	4 101 870	-	-	-	-	-	**4 101 870**	(3 827 327)	-	-	(137 267)	-	**(3 964 594)**	137 276
	4 101 870	**-**	**-**	**-**	**-**	**-**	**4 101 870**	**(3 827 327)**	**-**	**-**	**(137 267)**	**-**	**(3 964 594)**	**137 276**
Other assets														
General vehicles	9 520 371	2 746 612	(710 400)	-	-	-	**11 556 583**	(6 209 935)	433 951	-	(1 127 470)	-	**(6 903 454)**	4 653 129
Plant & equipment	537 865	80 295	-	-	308 565	-	**926 725**	(254 842)	-	-	(108 435)	-	**(363 277)**	563 448
Computer Equipment	5 198 758	404 330	(134 254)	-	925 987	-	**6 394 821**	(3 243 055)	83 058	-	(917 008)	(26 426)	**(4 103 431)**	2 291 390
Furniture & Fittings	4 458 529	79 633	-	-	2 901 033	-	**7 439 195**	(3 179 425)	-	-	(2 268 539)	(40)	**(5 448 004)**	1 991 191
Office Equipment	2 408 799	646 721	(20 983)	-	140 879	-	**3 175 416**	(1 112 549)	14 631	-	(407 343)	(15 777)	**(1 521 038)**	1 654 378
Office Equipment - Leased	-	2 788 548	-	-	-	-	**2 788 548**	-	-	-	(234 084)	-	**(234 084)**	2 554 464
Communcation equipment	145 786	-	(77 889)	-	-	-	**67 897**	(57 168)	36 507	-	(28 291)	(9 478)	**(58 430)**	9 467
Laborarory equipment	4 125 403	346 741	-	-	49 529	-	**4 521 673**	(2 202 036)	-	-	(469 738)	(13)	**(2 671 787)**	1 849 886
Construction vehicles	10 400 000	-	-	-	-	-	**10 400 000**	(2 690 760)	-	-	(1 051 128)	-	**(3 741 888)**	6 658 112
Work in progress	2 558 279	2 239 226	-	-	-	-	**4 797 505**	-	-	-	-	-	**-**	4 797 505
Other	535 953	-	-	-	-	-	**535 953**	(57 197)	-	-	(10 711)	-	**(67 908)**	468 045
	39 889 743	**9 332 106**	**(943 526)**	**-**	**4 325 993**	**-**	**52 604 316**	**(19 006 967)**	**568 147**	**-**	**(6 622 747)**	**(51 734)**	**(25 113 301)**	**27 491 015**

SUNDRY CREDITORS
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Appendix B
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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	316 898 259	132 000	-	-	-	-	**317 030 259**	(55 213 431)	-	-	(10 587 358)	-	**(65 800 789)**	251 229 470
Infrastructure	30 147 339	-	-	-	-	-	**30 147 339**	(11 495 889)	-	-	(2 273 096)	-	**(13 768 985)**	16 378 354
Heritage assets	154 250	-	-	-	5 000	-	**159 250**	-	-	-	-	-	**-**	159 250
Specialised vehicles	4 101 870	-	-	-	-	-	**4 101 870**	(3 827 327)	-	-	(137 267)	-	**(3 964 594)**	137 276
Other assets	39 889 743	9 332 106	(943 526)	-	4 325 993	-	**52 604 316**	(19 006 967)	568 147	-	(6 622 747)	(51 734)	**(25 113 301)**	27 491 015
	391 191 461	**9 464 106**	**(943 526)**	**-**	**4 330 993**	**-**	**404 043 034**	**(89 543 614)**	**568 147**	**-**	**(19 620 468)**	**(51 734)**	**(108 647 669)**	**295 395 365**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 253 486	-	-	-	-	-	**1 253 486**	(804 629)	-	-	(126 439)	-	**(931 068)**	322 418
	1 253 486	**-**	**-**	**-**	**-**	**-**	**1 253 486**	**(804 629)**	**-**	**-**	**(126 439)**	**-**	**(931 068)**	**322 418**
Investment properties														
Total														
Land and buildings	316 898 259	132 000	-	-	-	-	**317 030 259**	(55 213 431)	-	-	(10 587 358)	-	**(65 800 789)**	251 229 470
Infrastructure	30 147 339	-	-	-	-	-	**30 147 339**	(11 495 889)	-	-	(2 273 096)	-	**(13 768 985)**	16 378 354
Heritage assets	154 250	-	-	-	5 000	-	**159 250**	-	-	-	-	-	**-**	159 250
Specialised vehicles	4 101 870	-	-	-	-	-	**4 101 870**	(3 827 327)	-	-	(137 267)	-	**(3 964 594)**	137 276
Other assets	39 889 743	9 332 106	(943 526)	-	4 325 993	-	**52 604 316**	(19 006 967)	568 147	-	(6 622 747)	(51 734)	**(25 113 301)**	27 491 015
Intangible assets	1 253 486	-	-	-	-	-	**1 253 486**	(804 629)	-	-	(126 439)	-	**(931 068)**	322 418
	392 444 947	**9 464 106**	**(943 526)**	**-**	**4 330 993**	**-**	**405 296 520**	**(90 348 243)**	**568 147**	**-**	**(19 746 907)**	**(51 734)**	**(109 578 737)**	**295 717 783**

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Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	360 000	-	-	-	-	**-**	**360 000**	-	-	-	-	-	**-**	360 000
Buildings (Separate for AFS purposes)	316 538 258	-	-	-	-	**-**	**316 538 258**	(44 597 336)	-	-	(10 616 095)	-	**(55 213 431)**	261 324 827
	316 898 258	**-**	**-**	**-**	**-**	**-**	**316 898 258**	**(44 597 336)**	**-**	**-**	**(10 616 095)**	**-**	**(55 213 431)**	**261 684 827**
Infrastructure														
Other 1	30 147 339	-	-	-	-	**-**	**30 147 339**	(9 216 385)	-	-	(2 279 503)	-	**(11 495 888)**	18 651 451
	30 147 339	**-**	**-**	**-**	**-**	**-**	**30 147 339**	**(9 216 385)**	**-**	**-**	**(2 279 503)**	**-**	**(11 495 888)**	**18 651 451**
Community Assets														

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	154 250	-	-	-	-	-	**154 250**	-	-	-	-	-	**-**	154 250
	154 250	**-**	**-**	**-**	**-**	**-**	**154 250**	**-**	**-**	**-**	**-**	**-**	**-**	**154 250**
Specialised vehicles														
Fire	4 101 870	-	-	-	-	-	**4 101 870**	(3 416 298)	-	-	(411 029)	-	**(3 827 327)**	274 543
	4 101 870	**-**	**-**	**-**	**-**	**-**	**4 101 870**	**(3 416 298)**	**-**	**-**	**(411 029)**	**-**	**(3 827 327)**	**274 543**
Other assets														
General vehicles	9 644 911	-	(124 540)	-	-	-	**9 520 371**	(5 404 778)	116 026	-	(921 184)	-	**(6 209 936)**	3 310 435
Plant & equipment	508 065	29 800	-	-	-	-	**537 865**	(156 996)	-	-	(97 845)	-	**(254 841)**	283 024
Computer Equipment	4 868 900	362 594	(32 736)	-	-	-	**5 198 758**	(2 403 915)	17 798	-	(856 938)	(39 023)	**(3 282 078)**	1 916 680
Furniture & Fittings	4 495 727	-	(37 198)	-	-	-	**4 458 529**	(2 594 606)	34 224	-	(619 043)	(40)	**(3 179 465)**	1 279 064
Office Equipment	1 908 590	571 120	(70 911)	-	-	-	**2 408 799**	(875 071)	62 074	-	(299 553)	(20 308)	**(1 132 858)**	1 275 941
Office Equipment - Leased	1 761 398	-	(1 761 398)	-	-	-	**-**	(1 719 398)	1 761 398	-	(42 000)	-	**-**	-
Communication equipment	72 420	152 613	(79 247)	-	-	-	**145 786**	(55 453)	69 987	-	(71 701)	(16 837)	**(74 004)**	71 782
Laboratory Equipment	3 837 701	287 702	-	-	-	-	**4 125 403**	(1 648 681)	-	-	(553 355)	(13)	**(2 202 049)**	1 923 354
Construction Vehicles	10 400 000	-	-	-	-	-	**10 400 000**	(1 648 624)	-	-	(1 042 136)	-	**(2 690 760)**	7 709 240
Work in progress	1 999 602	558 677	-	-	-	-	**2 558 279**	-	-	-	-	-	**-**	2 558 279
Other	535 953	-	-	-	-	-	**535 953**	(46 456)	-	-	(10 741)	-	**(57 197)**	478 756
	40 033 267	**1 962 506**	**(2 106 030)**	**-**	**-**	**-**	**39 889 743**	**(16 553 978)**	**2 061 507**	**-**	**(4 514 496)**	**(76 221)**	**(19 083 188)**	**20 806 555**

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	316 898 258	-	-	-	-	**-**	**316 898 258**	(44 597 336)	-	-	(10 616 095)	-	**(55 213 431)**	261 684 827
Infrastructure	30 147 339	-	-	-	-	**-**	**30 147 339**	(9 216 385)	-	-	(2 279 503)	-	**(11 495 888)**	18 651 451
Heritage assets	154 250	-	-	-	-	**-**	**154 250**	-	-	-	-	-	**-**	154 250
Specialised vehicles	4 101 870	-	-	-	-	**-**	**4 101 870**	(3 416 298)	-	-	(411 029)	-	**(3 827 327)**	274 543
Other assets	40 033 267	1 962 506	(2 106 030)	-	-	**-**	**39 889 743**	(16 553 978)	2 061 507	-	(4 514 496)	(76 221)	**(19 083 188)**	20 806 555
	391 334 984	**1 962 506**	**(2 106 030)**	**-**	**-**	**-**	**391 191 460**	**(73 783 997)**	**2 061 507**	**-**	**(17 821 123)**	**(76 221)**	**(89 619 834)**	**301 571 626**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 007 054	246 431	-	-	-	**-**	**1 253 485**	(726 252)	-	-	(78 377)	-	**(804 629)**	448 856
	1 007 054	**246 431**	**-**	**-**	**-**	**-**	**1 253 485**	**(726 252)**	**-**	**-**	**(78 377)**	**-**	**(804 629)**	**448 856**
Investment properties														
Total														
Land and buildings	316 898 258	-	-	-	-	**-**	**316 898 258**	(44 597 336)	-	-	(10 616 095)	-	**(55 213 431)**	261 684 827
Infrastructure	30 147 339	-	-	-	-	**-**	**30 147 339**	(9 216 385)	-	-	(2 279 503)	-	**(11 495 888)**	18 651 451
Heritage assets	154 250	-	-	-	-	**-**	**154 250**	-	-	-	-	-	**-**	154 250
Specialised vehicles	4 101 870	-	-	-	-	**-**	**4 101 870**	(3 416 298)	-	-	(411 029)	-	**(3 827 327)**	274 543
Other assets	40 033 267	1 962 506	(2 106 030)	-	-	**-**	**39 889 743**	(16 553 978)	2 061 507	-	(4 514 496)	(76 221)	**(19 083 188)**	20 806 555
Intangible assets	1 007 054	246 431	-	-	-	**-**	**1 253 485**	(726 252)	-	-	(78 377)	-	**(804 629)**	448 856
	392 342 038	**2 208 937**	**(2 106 030)**	**-**	**-**	**-**	**392 444 945**	**(74 510 249)**	**2 061 507**	**-**	**(17 899 500)**	**(76 221)**	**(90 424 463)**	**302 020 482**

Segmental analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	351 213 082	3 650 508	(34 274)	-	284 419	**-**	**355 113 735**	(67 474 848)	20 715	-	(13 345 602)	(2 376)	**(80 802 111)**	274 311 624
Finance & Admin/Finance	41 231 864	5 813 598	(909 252)	-	4 046 573	**-**	**50 182 783**	(22 873 395)	547 433	-	(6 401 303)	(49 359)	**(28 776 624)**	21 406 159
	392 444 946	**9 464 106**	**(943 526)**	**-**	**4 330 992**	**-**	**405 296 518**	**(90 348 243)**	**568 148**	**-**	**(19 746 905)**	**(51 735)**	**(109 578 735)**	**295 717 783**
Municipal Owned Entities														
Total														
Municipality	392 444 946	9 464 106	(943 526)	-	4 330 992	**-**	**405 296 518**	(90 348 243)	568 148	-	(19 746 905)	(51 735)	**(109 578 735)**	295 717 783
	392 444 946	**9 464 106**	**(943 526)**	**-**	**4 330 992**	**-**	**405 296 518**	**(90 348 243)**	**568 148**	**-**	**(19 746 905)**	**(51 735)**	**(109 578 735)**	**295 717 783**

Segmental Statement of Financial Performance for the year ended

30 June 2016				30 June 2017		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
7 779	22 999 479	(22 991 700)	Executive & Council/Mayor and Council	7 078	25 026 500	(25 019 422)
299 316 357	257 105 305	42 211 052	Planning and Development/Economic Development/Plan	377 340 906	254 081 192	123 259 714
299 324 136	**280 104 784**	**19 219 352**		**377 347 984**	**279 107 692**	**98 240 292**
			Municipal Owned Entities			
			Other charges			
299 324 136	280 104 784	19 219 352	Municipality	377 347 984	279 107 692	98 240 292
299 324 136	**280 104 784**	**19 219 352**	**Total**	**377 347 984**	**279 107 692**	**98 240 292**

SUNDRY CREDITORS
Appendix E(1)
June 2017

Actual versus budget (Revenue and Expenditure) for the year ended 30 June 2017

	Forecast # 1 2017 Act. Bal. Rand	Forecast # 1 2017 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rendering of services	206 176	350 000	(143 824)	(41,1)	New service - no history to determine reasonable estimates
Governement grants and subsidies	358 478 445	386 486 389	(28 007 944)	(7,2)	
Other income	3 810 081	1 890 060	1 920 021	101,6	Income from Lab higher than anticipated
Interest received - investment	14 853 282	7 725 500	7 127 782	92,3	Project implementation slow - more funds available for investments.
	377 347 984	396 451 949	(19 103 965)	(4,8)	
Expenses					
Personnel	(111 194 694)	(131 755 790)	20 561 096	(15,6)	Not all vacant positions were filled
Remuneration of councillors	(11 593 628)	(11 779 410)	185 782	(1,6)	
Depreciation	(19 746 903)	(19 286 000)	(460 903)	2,4	
Amortisation	-	-	-	-	
Impairment	-	-	-	-	
Finance costs	(601 374)	-	(601 374)	-	
Repairs and maintenance - General	(6 668 511)	(7 681 500)	1 012 989	(13,2)	Repairs to the graders was less than anticipated.
Lease rentals	(497 620)	(637 310)	139 690	(21,9)	Not all leases were operating leases.
Contracted Services	-	-	-	-	
Transfers and Subsidies	(93 334 614)	(207 431 643)	114 097 029	(55,0)	Multi year projects - only show when the whole project is completed
General Expenses	(39 570 450)	(44 823 100)	5 252 650	(11,7)	
	(283 207 794)	(423 394 753)	140 186 959	(33,1)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(230 890)	-	(230 890)	-	
Fair value adjustment	4 330 992	-	4 330 992	-	
	4 100 102	-	4 100 102	-	
Net surplus/ (deficit) for the year	98 240 292	(26 942 804)	125 183 096	(464,6)	Multi year projects - only show when the whole project is completed

SUNDRY CREDITORS
Appendix E(2)
June 2017

Actual versus Budget (Acquisition of Property, Plant and Equipment)

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	2 239 226	5 000 000	2 760 774	**55**	Contractor absconded, new contractor hed to be appointed.
Finance & Admin/Finance	3 868 987	5 100 000	1 231 013	**24**	Less furniture, office equipment, computer equipment and lab equipment procured than anticipated
	6 108 213	**10 100 000**	**3 991 787**	**40**	
Municipal Owned Entities					
Other charges					

SUNDRY CREDITORS

Appendix F

Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

Yrly Per.

June 2017

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	**Dec**	**Mar**	**Jun**	**Sep**	**Dec**	**Mar**	**Jun**	**Yes/ No**
1. Equitable Share	4 164 667	4 164 667	4 164 666	-	4 164 667	4 164 667	4 164 666	-	Yes
2. Depertment of Water and Sanitation Grant (DWS)	42 659 649	25 595 614	17 063 560	11 944 677	2 044 577	11 082 096	19 163 991	37 104 024	Yes
3. Finance Management Grant (FMG)	1 250 000	-	-	-	318 119	295 720	282 459	353 702	Yes
4. Expanded Public Works Program Grant (EPWP)	778 000	1 400 000	935 000	-	778 000	878 686	973 615	482 699	Yes
5. Road Asset Management Grant (rams)	1 100 000	1 100 000	-	-	-	1 083 241	404 919	646 632	Yes
6. Data Cleansing Grant	-	-	-	-	-	-	288	233 518	Yes
7. Cogta Grant	-	-	-	-	-	-	1 097 159	-	Yes
8. Revenue Replacement Grant	110 733 333	87 753 333	64 774 334	-	110 733 333	87 753 333	64 774 334	-	Yes
9. Infrastructure Skills Development Grant (ISDG)	2 400 000	-	3 100 000	-	1 749 429	2 333 294	1 840 346	1 259 654	Yes
	163 085 649	120 013 614	90 037 560	11 944 677	119 788 125	107 591 037	92 701 777	40 080 229	

Note 1: The following amounts were rolled over from 2016/17 : For RAMS: R 73,424 For Data Cleansing Grant; R 233,806 For COGTA: R 1,097,159 For ISDG; R1,682,723

Note 2: The amount of R 1,682,723 was paid back to National Treasury as approval for rolling over from 2015/16 was not granted.

Note3: he following amounts were rolled TO 2017/18 : For RAMS: R 138,632 For DWS; R27,869,112.