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

General Information

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

General Information

Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the 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 given unrestricted access to all financial records and related data.

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

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

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

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

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

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

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

WB Nkosi
Accounting Officer

Accounting officer's Report

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

1. Review of activities

Main business and operations

The main business operations of the municipality is to engage in localgovernance activities, which includes planning and promotion ofintegrated development planning, land, economic and environmental development, levying of rates and supplying of general services to the community.

Surplus of the municipality was R 13,964,039 (2017: surplus R 16,225,533).

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name
WB Nkosi

Dannhauser Local Municipality

Annual Financial Statements for the year ended June 30, 2018

Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Cash and cash equivalents	3	53,086,038	47,890,792
Receivables from exchange transactions	4	2,158,008	3,677,257
Receivables from non-exchange transactions	5	21,561,819	20,127,256
VAT receivable	6	3,240,761	3,143,628
		80,046,626	**74,838,933**
Non-Current Assets			
Biological assets that form part of an agricultural activity	42	70,000	-
Investment property	7	20,913,655	19,400,511
Property,plant and equipment	8	322,656,324	308,416,541
Heritage assets	9	55,576	55,576
		343,695,555	**327,872,628**
Total Assets		**423,742,181**	**402,711,561**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	10,984,766	13,873,769
Financial liabilities	44	958,173	-
Finance lease obligation	11	7,700	-
Unspent conditional grants and receipts	12	197,251	197,741
Employee benefit obligation	14	290,481	216,109
Provisions	13	9,948,766	9,670,336
		22,387,137	**23,957,955**
Non-Current Liabilities			
Financial liabilities	44	8,119,124	-
Employee benefit obligation	14	4,692,583	4,406,680
		12,811,707	**4,406,680**
Total Liabilities		**35,198,844**	**28,364,635**
Net Assets		**388,543,337**	**374,346,926**
Accumulated surplus		388,543,337	374,346,926

Detailed Income statement

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	15	996,714	1,033,703
Rental of facilities and equipment	16	94,422	272,402
Licences and permits	18	2,192,411	2,701,131
Other income	19	3,762,534	8,424,930
Interest received - investment	17	4,248,771	3,697,240
Total revenue from exchange transactions		**11,294,852**	**16,129,406**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	14,853,721	17,671,273
Transfer revenue			
Government grants & subsidies	21	104,983,218	105,860,117
Fines, Penalties and Forfeits	22	117,665	853,700
Total revenue from non-exchange transactions		**119,954,604**	**124,385,090**
Total revenue	23	**131,249,456**	**140,514,496**
Expenditure			
Employee related costs	24	(28,188,095)	(25,028,597)
Remuneration of councillors	25	(8,860,902)	(8,345,206)
Depreciation	26	(19,795,184)	(25,763,150)
Impairment of assets	28	(4,156,807)	-
Repairs and maintenance	45	(6,730,010)	(4,573,949)
General Expenses	27	(49,552,864)	(60,867,845)
Total expenditure		**(117,283,862)**	**(124,578,747)**
Operating Surplus		**13,965,594**	**15,935,749**
Gain (loss) on disposal of assets and liabilities	46	(1,555)	289,784
Surplus for the year		**13,964,039**	**16,225,533**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2016	**351,801,658**	**351,801,658**
Changes in net assets		
Other fair value gains (losses)	6,319,735	6,319,735
Net income (losses) recognised directly in net assets	6,319,735	6,319,735
Surplus for the year	16,225,533	16,225,533
Total recognised income and expenses for the year	22,545,268	22,545,268
Total changes	22,545,268	22,545,268
Balance at July 1, 2017	**374,346,926**	**374,346,926**
Changes in net assets		
Investment property assets adjustment	30,000	30,000
Retention written off	202,372	202,372
Net income recognised directly in net assets	232,372	232,372
Surplus for the year	13,964,039	13,964,039
Total recognised income and expenses for the year	14,196,411	14,196,411
Total changes	14,196,411	14,196,411
Balance at June 30, 2018	**388,543,337**	**388,543,337**

Dannhauser Local Municipality

Annual Financial Statements for the year ended June 30, 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Service charges		15,850,435	26,158,362
Government grants and subsidies		104,983,218	101,958,319
Interest received		4,248,771	3,697,240
Other income		6,167,032	8,309,509
		131,249,456	140,123,430
Payments			
Employee related costs		(37,048,997)	(29,237,408)
Suppliers		(55,480,954)	(63,037,908)
Repairs and maintenance		(6,730,010)	(4,573,949)
		(99,259,961)	(96,849,265)
Net cash flows from operating activities	30	**31,989,495**	**43,274,165**
Cash flows from investing activities			
Purchase of property,plant and equipment	8	(35,597,644)	(27,511,157)
Proceeds from sale of property,plant and equipment	8	23,766	-
Purchase of investment property	7	-	(4,614,655)
Purchase of biological assets that form part of an agricultural activity	42	(70,000)	-
Net cash flows from investing activities		**(35,643,878)**	**(32,125,812)**
Cash flows from financing activities			
Financial liability		9,310,929	-
Repayment of loan		461,300	-
Net cash flows from financing activities		**8,849,629**	**-**
Net increase/(decrease) in cash and cash equivalents		**5,195,246**	**11,148,353**
Cash and cash equivalents at the beginning of the year		47,890,792	36,742,439
Cash and cash equivalents at the end of the year	3	**53,086,038**	**47,890,792**

Dannhauser Local Municipality

Annual Financial Statements for the year ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,103,000	-	**1,103,000**	996,714	**(106,286)**	15
Rental of facilities and equipment	222,816	-	**222,816**	94,422	**(128,394)**	16
Licences and permits	2,800,000	-	**2,800,000**	2,192,411	**(607,589)**	18
Other income	15,603,000	6,108,000	**21,711,000**	3,762,534	**(17,948,466)**	19
Interest received	4,000,000	(224,638)	**3,775,362**	4,248,771	**473,409**	17
Total revenue from exchange transactions	**23,728,816**	**5,883,362**	**29,612,178**	**11,294,852**	**(18,317,326)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19,299,000	(712,000)	**18,587,000**	14,853,721	**(3,733,279)**	20
Transfer revenue						
Government grants and subsidies	104,983,000	-	**104,983,000**	104,983,218	**218**	21
Fines	371,350	-	**371,350**	117,665	**(253,685)**	22
Total revenue from non-exchange transactions	**124,653,350**	**(712,000)**	**123,941,350**	**119,954,604**	**(3,986,746)**	
Total revenue	**148,382,166**	**5,171,362**	**153,553,528**	**131,249,456**	**(22,304,072)**	
Expenditure						
Employee related costs	(37,471,000)	1,179,000	**(36,292,000)**	(28,188,095)	**8,103,905**	24
Remuneration of councillors	(7,195,000)	(2,010,000)	**(9,205,000)**	(8,860,902)	**344,098**	25
Depreciation	(10,000,000)	-	**(10,000,000)**	(19,795,184)	**(9,795,184)**	26
Impairment loss/ Reversal of impairments	-	-	**-**	(4,156,807)	**(4,156,807)**	28
Repairs and maintenance	(1,704,000)	-	**(1,704,000)**	(6,730,010)	**(5,026,010)**	45
General expenses	(53,017,000)	1,009,000	**(52,008,000)**	(49,552,864)	**2,455,136**	27
Total expenditure	**(109,387,000)**	**178,000**	**(109,209,000)**	**(117,283,862)**	**(8,074,862)**	
Surplus for the year	**38,995,166**	**5,349,362**	**44,344,528**	**13,965,594**	**(30,378,934)**	
Loss on sale of an assets	-	-	**-**	(1,555)	**(1,555)**	46
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**38,995,166**	**5,349,362**	**44,344,528**	**13,967,149**	**(30,377,379)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

The preparation of these annual financial statements in conformity with GRAP, requires the use of certain critical accounting estimates. Management is required to exercise judgement which affects amounts represented in the annual financial statements, related disclosures, the use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Areas involving a higher degree of judgement or complexity or areas were assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements, where applicable. Significant judgements include:

Receivables

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

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

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

Provisions

Management determines an estimate based on the available information and additional disclosure of these estimates are included in note 13 Provisions.

Useful lives of property, plant and equipment and other assets

The Municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. These estimates are based on industry norms and on the pattern in which an asset's future economic benefits or service potential in expected to be consumed by the Municipality.

Post employment benefits

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

The Municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the Municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 14.

Effective interest rate

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

Allowance for impairment

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

1.4 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Item	Useful life
Bulls	10 years

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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

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

1.6 Property,plant and equipment

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

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

Property,plant and equipment is initially measured at cost.

Accounting Policies

1.6 Property,plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 - 50 years
Plant and machinery	Straight line	4 - 12 years
Furniture and fixtures	Straight line	9 years
Motor vehicles	Straight line	9 years
Office equipment	Straight line	3 - 5 years
IT equipment	Straight line	7 years
Infrastructure	Straight line	50 years
Landfill site	Straight line	15 years
Other vehicles	Straight line	9 years
Specialised vehicles	Straight line	10 years

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

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

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

1.6 Property,plant and equipment (continued)

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

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

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

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

1.7 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.8 Heritage assets

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

Recognition

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

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

Initial measurement

Heritage assets are initially recognised at cost.

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

Subsequent measurement

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

Impairment

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

1.8 Heritage assets (continued)

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).

1.9 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

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

Financial assets measured at cost:

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.10 Value-added Tax (VAT)

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

1.11 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.

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.12 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.

Useful life is either:

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.13 Statutory receivables

Statutory receivables are receivables that:

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

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

1.13 Statutory receivables (continued)

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

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

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

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

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

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

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

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

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

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

Post-employment benefits

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

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

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

1.14 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 Municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.14 Employee benefits (continued)

Other long-term employee benefits

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

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

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

The Municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

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

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

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

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

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

1.15 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.

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

Levies

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

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

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

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

1.16 Revenue from exchange transactions

. Exchange transaction are transactions which the Municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of service charges, rental, licences and permits, interest and other income

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

Measurement

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

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest.

Revenue arising from the use by others of municipal assets yielding interest or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- the amount of the revenue can be measured reliably.

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

1.17 Revenue from non-exchange transactions

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.18 Borrowing costs

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

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 37 for detail.

1.20 Unauthorised expenditure

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

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

1.23 Accumulated surplus

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

1.24 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 31.

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

- contracts are non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the Municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.Commitment represents goods/ services that have been approved and / or contracted for, but where delivery has taken place at the reporting date.Commitmens will consist of already contracted for but not provided for and not yet contracted for and authorised by accounting officer

1.25 Grants in aid

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

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

1.26 Budget information

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

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

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

1.27 Related parties

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

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

1.28 Events after reporting date

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any standards that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after July 1, 2018 or later periods:

GRAP 20: Related parties

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

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

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

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

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

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

The standard elaborates on the definitions and identification of:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

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

- control;
- related party transactions; and
- remuneration of management.

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

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

GRAP 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 April 1, 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,385	868
Bank balances	10,848,428	4,064,804
Short-term deposits	42,235,225	42,972,321
Other cash and cash equivalents	-	852,799
	53,086,038	**47,890,792**

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents include Cashiers' Float of R200 and Petty cash on hand of R2185, bank balance and investments. In terms of GRAP 1 and MFMA, Investments and Cash and Cash Equivalents must be consolidated.

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2018	June 30, 2017	June 30, 2016
FNB - Small Town - 62392884659	-	-	-	-	-	-
FNB - Primary Bank Account - 62369194106	7,717,898	3,446,725	1,221,794	7,692,367	3,446,725	1,250,447
Standard Bank - Primary Bank Account - 060032073	3,130,534	288,527	644,679	3,131,691	288,527	646,182
FNB - Call Account - 62392884659	354,799	336,122	3,555,956	354,799	336,122	3,555,956
Standard Bank - Notice Deposit - 068483295002	1,110,937	1,032,927	5,104,264	1,110,937	1,032,927	5,104,264
Standard Bank - Call Account - 068480520001	5,143,611	5,297,904	2,257,090	6,143,611	5,297,904	2,257,090
FNB Bank - Call Account - 62084062894	5,989,209	4,143,905	306	5,989,209	4,143,905	306
ABSA BANK - Map Call Account - 9118486422	19,715	18,454	1,467,442	19,715	18,455	1,467,442
ABSA BANK - 9121421831 - Call Account	664,294	32,375	10,367	664,294	32,309	10,367
ABSA BANK - Call Account 9169857999	3,018,189	2,838,880	2,663,337	3,018,189	2,838,880	2,663,337
STANDARD BANK - Equitable Share -068480520 - 002	52,923	49,998	47,093	52,923	49,998	47,093
ABSA BANK - Housing Call Account - 9259916188	487,294	458,344	430,003	487,294	458,344	430,003
ABSA BANK - Fixed Deposit Account (MPRA) - 2072034421	3,277,624	3,063,645	770,555	3,277,624	3,063,645	770,555
FNB Bank -Municipal Infrastructure Grant - 62392885855	1,820	233,348	3,594	1,820	233,348	3,594
FNB - Call Account - (Electrification) 62422725682	788,718	745,915	703,280	788,718	745,915	703,280
ABSA - Fixed Deposits - 2074015596	-	-	2,328,413	-	-	2,328,413
NEDBANK - Call Account (MIG) - 7165020829	12,823	11,949	1,801,407	12,823	11,949	1,801,407
STANLIB - Retention Account - 52714479	-	-	6,586	-	-	6,586
INVESTEC - FIXED DEPOSITS - 1100532894-450	5,903,136	5,488,072	5,092,956	5,903,136	5,488,072	5,092,956
INVESTEC - Call Account - Equitableshare - 1100532894-451	904,072	5,491,674	16,274,481	904,072	5,491,674	5,096,300
STANDARD BANK - Call account - 268436894001	1,333,927	1,253,927	1,175,221	1,333,927	1,253,927	1,175,221
Nedbank - Call Account - 7165022015	909,906	852,799	2,326,424	909,906	852,799	2,326,424
Nedbank - Call Account (MSIG & FMG) -7165022740	1,676,565	6,129,356	4,676	1,676,565	6,122,941	4,676
Investec: 1100-532894453 Equitable share (Fixed deposit)	240,270	3,133,205	-	240,270	3,133,205	-
Investec: 1100-532894500 Equitable Share (Call Account)	70,690	1,047,865	-	70,690	1,047,865	-
ABSA 2074015596 (Fixed Deposit)	2,675,132	2,500,488	-	2,675,132	2,500,488	-
Ithala bank call account(acc 79464823)	5,308,814	-	-	5,308,814	-	-

Notes to the Annual Financial Statements

Figures in Rand					2018	2017

3. Cash and cash equivalents (continued)

investec fixed dep account(1100-532894-454)	2,290,756	-	-	2,290,756	-	-
Total	**53,083,656**	**47,896,404**	**47,889,924**	**54,059,282**	**47,889,924**	**36,741,899**

4. Receivables from exchange transactions

	2018	2017
Other receivables	1,294,551	1,957,014
Sundry debtors	777,360	1,720,243
Prepaid expenses	86,097	-
	2,158,008	**3,677,257**

Trade and other receivables past due but not impaired

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

	2018	2017
1 month past due	870,108	860,108
2 months past due	687,000	677,507
3 months past due	637,000	627,825
	705,353	705,254

5. Receivables from non exchange and exchange transactions

	2018	2017
Gross balances		
Rates	27,845,306	23,792,937
Less: Allowance for impairment		
Rates	(6,283,487)	(3,665,681)
Net balance		
Rates	21,561,819	20,127,256

	2018	2017
Rates		
Current (0 -30 days)	916,324	1,155,186
31 - 60 days	769,793	642,836
61 - 90 days	711,220	567,719
91 - 120 days	699,691	572,896
121 - 365 days	4,177,478	2,783,938
> 365 days	20,570,800	18,070,362
	27,845,306	**23,792,937**

Figures in Rand	2018	2017

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

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	672,112	748,241
31 - 60 days	525,416	537,610
61 - 90 days	486,351	475,468
91 - 120 days	473,788	476,130
121 - 365 days	2,691,347	2,748,305
> 365 days	17,639,230	14,786,778
	22,488,244	19,772,532
Less: Allowance for impairment	(6,283,486)	(2,889,377)
	16,204,758	**16,883,155**

National and provincial government		
Current (0 -30 days)	244,211	406,540
31 - 60 days	244,377	104,823
61 - 90 days	224,869	91,848
91 - 120 days	225,902	96,363
121 - 365 days	1,486,132	32,979
> 365 days	2,931,570	3,106,526
	5,357,061	3,839,079
Less: Allowance for impairment	-	(776,304)
	5,357,061	**3,062,775**

Total		
Current (0 -30 days)	916,323	1,155,186
31 - 60 days	769,793	642,836
61 - 90 days	711,220	567,719
91 - 120 days	699,690	572,896
121 - 365 days	4,177,479	2,783,938
> 365 days	20,570,800	18,070,362
	27,845,305	23,792,937
Less: Allowance for impairment	(6,283,486)	(3,665,681)
	21,561,819	**20,127,256**

Reconciliation of allowance for impairment		
Balance at beginning of the year	3,665,681	(11,970,663)
Contribution to provision	2,617,805	8,304,982
	6,283,486	**(3,665,681)**

6. VAT receivable

Value Added Tax	3,240,761	3,143,628

VAT is accounted for on the payments basis.

All VAT returns were submitted throughout the year.

7. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land and Buildings	20,913,655	-	20,913,655	19,400,511	-	19,400,511

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property - Land	19,400,511	1,483,144	20,913,655

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	19,400,511	19,400,511

Pledged as security

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

Other Disclosures

	2018	2017
- Rental revenue from investment property	94,422	272,402

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

Notes to the Annual Financial Statements

Figures in Rand

8. Property,plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,138,950	-	1,138,950	1,619,950	(64,503)	1,555,447
Buildings	238,014,390	(104,150,482)	133,863,908	238,014,390	(98,617,483)	139,396,907
Plant and machinery	3,132,588	(1,318,818)	1,813,770	2,942,112	(1,225,997)	1,716,115
Furniture and fixtures	3,041,130	(1,799,241)	1,241,889	2,938,795	(1,896,533)	1,042,262
Motor vehicles	16,829,790	(9,692,457)	7,137,333	14,960,925	(7,847,133)	7,113,792
IT equipment	1,920,542	(954,629)	965,913	1,694,615	(1,248,084)	446,531
Infrastructure	356,847,486	(226,097,181)	130,750,305	356,733,509	(212,141,149)	144,592,360
Infrastructure work in progress	45,744,256	-	45,744,256	12,553,127	-	12,553,127
Total	**666,669,132**	**(344,012,808)**	**322,656,324**	**631,457,423**	**(323,040,882)**	**308,416,541**

Reconciliation of property,plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1,555,447	-	-	(416,497)	-	-	1,138,950
Buildings	139,396,907	-	-	-	(4,045,180)	(1,487,819)	133,863,908
Plant and machinery	1,716,115	212,565	(23,766)	-	(91,144)	-	1,813,770
Furniture and fixtures	1,042,262	99,061	-	-	100,566	-	1,241,889
Motor vehicles	7,113,792	1,868,865	-	-	(1,845,324)	-	7,137,333
IT equipment	446,531	226,024	-	-	293,358	-	965,913
Infrastructure	144,592,360	-	-	416,497	(14,207,459)	(51,093)	130,750,305
Infrastructure work in progress	12,553,127	33,191,129	-	-	-	-	45,744,256
	308,416,541	**35,597,644**	**(23,766)**	**-**	**(19,795,183)**	**(1,538,912)**	**322,656,324**

Notes to the Annual Financial Statements

Figures in Rand

8. Property,plant and equipment (continued)

Reconciliation of property,plant and equipment - 2017

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

Pledged as security

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

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

9. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	55,576	-	55,576	55,576	-	55,576

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chain	55,576	55,576

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral chain	55,576	55,576

Age and/or condition of heritage assets

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

Pledged as security

Heritage assets are not pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Payables from exchange transactions

Trade payables	1,171,862	628,553
Perfomance Bonus	144,000	-
Accrued leave pay	2,023,946	2,396,142
Retentions on contracts with creditors	1,235,063	877,342
Trade accruals	6,393,347	9,945,122
Prodiba	16,548	26,610
	10,984,766	**13,873,769**

11. Finance lease obligation

Minimum lease payments due		
- within one year	7,700	-

The above lease was for councillors' tablets with Telkom , the lease term was 2 years

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Small Town	197,251	-
Expanded Works Program (EPWP)	-	451
Municipal Infrastructure Grant	-	39
Small town rehabilitation	-	197,251
	197,251	**197,741**

Movement during the year

Balance at the beginning of the year	197,251	-
Additions during the year	-	197,741
	197,251	**197,741**

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

13. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Landfill sites	9,670,336	278,430	9,948,766

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Landfill sites	9,615,074	55,262	9,670,336

Provision for rehabilitation:

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

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

The following is proposed for the rehabilitation of the landfill:

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

The amount provided is the best estimate calculated. The financial implications of rehabilitating the landfill site were determined by an independant valuator Impumelelo Consulting Engineers as at 30 June 2018.

14. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,672,812)	(3,650,707)
Fair value of reimbursement rights	157,804	181,000
	(3,515,008)	**(3,469,707)**

Non-current liabilities	(4,692,583)	(4,406,680)
Current liabilities	(290,481)	(216,109)
	(4,983,064)	**(4,622,789)**

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

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

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

Opening balance	3,044,000	3,044,000
Service cost	170,601	-
Finance cost	337,127	-
Benefits paid	(168,622)	-
Acturial loss / gan	(307,001)	-
Other	606,707	-
	3,682,812	**3,044,000**

Long service awards

Opening balance	873,000	873,000
Expected return	99,082	-
Actuarial gains (losses)	171,495	-
Interest cost	81,770	-
Expected benefit vesting	(47,487)	-
Service cost	122,945	-
	1,300,805	**873,000**

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.43		9.83 %
Medical cost trend rates	7.26		8.97 %
Future changes in maximum state healthcare benefits		7.97 %	
Other material actuarial assumptions		0.79 %	

15. Service charges

Refuse removal	996,714	1,033,703

16. Rental income

Premises		
Rental of investment properties	94,422	272,402

17. Investment revenue

Interest revenue		
Interest received	4,248,771	3,697,240

18. Licences and permits

Municipal licences and permits		
Drivers Licence	258,000	195,808
Learners Licence	216,170	196,920
Plan Fees	1,300	6,106
Vehicle Licences	-	1,287,680
Drivers Licence Card	1,716,941	1,014,617
	2,192,411	**2,701,131**

19. Other income

Cemetery fees	10,071	17,914
Discounts and refunds received	-	5,212
Insurance claims	1,645	112,813
Donation	1,940,200	-
Local Government Sector Education and Training Authority (LGSETA)	43,086	48,113
Rates clearing certificates	7,017	39,115
Taxi rank fees	7,194	14,588
Sundry Income	1,651,469	8,187,175
Prodiba	(21,123)	-
Tittle Deeds	120,000	-
Valuation Certificates	2,975	-
	3,762,534	**8,424,930**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Property rates

Rates received

Assessment rates	14,853,721	17,671,273

Valuations

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

Figures in Rand	2018	2017

21. Government grants and subsidies

Operating grants		
Cyber Cadet Grant	188,000	179,000
Equitable share	78,831,000	75,694,000
Expanded Public Works Program (EPWP)	1,000,000	1,139,307
Financial Management Grant (FMG)	1,900,000	1,825,000
Library provincialisation	582,999	559,000
Municipal Infrastructure Grant (MIG)	22,081,219	20,697,960
Government grant (operating) 13	-	930,890
Government grant (operating) 16	400,000	-
Small town rehabilitation	-	4,834,960
	104,983,218	104,777,708
	104,983,218	**105,860,117**

Equitable Share

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

Municipal Infrastructure Grant (MIG) Grant

Balance unspent at beginning of year	39	-
Current-year receipts	22,081,180	20,698,000
Conditions met - transferred to revenue	(22,081,219)	(20,697,961)
	-	**39**

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

Library Provincialisation Grant

Current-year receipts	583,000	559,000
Conditions met - transferred to revenue	(583,000)	(559,000)
	-	**-**

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

Municipal Systems Improvement Programme Grant (MSIG)

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

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

Conditions still to be met - remain liabilities (see note 12).

Figures in Rand	2018	2017

21. Government grants and subsidies (continued)

Expanded Public Works Program (EPWP)

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

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

.

Cyber Cadet

Current-year receipts	188,000	179,000
Conditions met - transferred to revenue	(188,000)	(179,000)
	-	**-**

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

22. Fines

Fines		
Library Fines	31,087	2,710
Pound	5,400	-
Traffic Fines	81,178	850,990
	117,665	**853,700**

23. Revenue

Fines	117,665	853,700
Government grants and subsidies	104,983,218	105,860,117
Interest received - investment	4,248,771	3,697,240
Licences and permits	2,192,411	2,701,131
Other income	3,762,534	8,424,930
Property rates	14,853,721	17,671,273
Rental income	94,422	272,402
Service charges	996,714	1,033,703
	131,249,456	**140,514,496**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	4,248,771	3,697,240
Licences and permits	2,192,411	2,701,131
Other income	3,762,534	8,424,930
Rental of facilities and equipment	94,422	272,402
Service charges	996,714	1,033,703
	11,294,852	**16,129,406**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	14,853,721	17,671,273
Transfer revenue		
Fines	117,665	853,700
Government grants and subsidies	104,983,218	105,860,117
	119,954,604	**124,385,090**

Notes to the Annual Financial Statements

Figures in Rand

24. Employee related costs

Employee related costs – salaries and wages	19,624,724	17,488,024
Employee related costs - casual salaries and wages	-	21,116
Housing benefits and allowances	221,481	232,172
Medical aid - company contributions	3,456,408	2,592,877
Overtime payments	820,660	578,459
Bargaining and group life	29,247	266,815
Bonuses	1,731,661	1,739,560
Post-employment benefits	847,949	448,701
Skills Development Levy (SDL)	-	252,278
Other Allowances (Travelling, Cellphone)	1,455,965	1,408,595
	28,188,095	**25,028,597**

Remuneration of Municipal Manager (Nkosi WB)

Annual Remuneration	546,845	534,582
Car Allowance	366,709	374,547
Performance Bonuses	-	144,752
Contributions to UIF, Medical and Pension Funds	83,173	82,928
Other	-	11,707
	996,727	**1,148,516**

Remuneration of Chief Finance Officer (Mohapi DM)

Annual Remuneration	566,198	492,864
Car Allowance	304,876	249,485
Performance Bonuses	47,183	40,761
Contributions to UIF, Medical and Pension Funds	214,686	187,546
Other	43,724	26,400
	1,176,667	**997,056**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Employee related costs (continued)

Remuneration of Technical Service Director (Nene MR)

Annual Remuneration	431,530	392,420
Car Allowance	231,656	213,700
Performance Bonuses	35,497	33,115
Contributions to UIF, Medical and Pension Funds	103,008	93,460
Other Earnings	27,559	18,000
Other	-	8,904
	829,250	**759,599**

Remuneration of Corporate Services Director (Narothum S)

Annual Remuneration	430,052	387,463
Car Allowance	223,989	211,162
Performance Bonuses	35,944	32,289
Contributions to UIF, Medical and Pension Funds	138,438	127,608
Other	19,279	18,000
	847,702	**776,522**

Remuneration of Community Services Director (Naidoo S)

Annual Remuneration	423,464	382,973
Car Allowance	228,019	206,216
Performance Bonuses	35,497	32,289
Contributions to UIF, Medical and Pension Funds	118,425	107,039
Other	27,559	26,904
	832,964	**755,421**

25. Remuneration of councillors

Executive Mayor	840,312	771,614
Deputy Executive Mayor	399,612	319,880
Speaker	692,319	623,638
Councillors	5,700,628	5,666,994
Executive Committee Members	1,228,031	963,080
	8,860,902	**8,345,206**

In-kind benefits

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

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

Figures in Rand	2018	2017

25. Remuneration of councillors (continued)

	Annual remuneration	Cellphone allowance	Data card allowance	Total
Mayor: Phakathi JP	795,504	40,800	3,600	840,312

2018	Annual Remuneration	Cellphone allowance	Data card allowance	Total
Deputy Executive Mayor: Msibi SD	355,212	40,800	3,600	399,612

2017	Annual Remuneration	Cellphone allowance	Data card allowance	Total
Speaker: Ngubeni ZS	517,739	40,800	3,600	692,319

Figures in Rand	2018	2017

25. Remuneration of councillors (continued)

2018 Councillors	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance	Subsistence Allowance	Total
Sect. 79 Chair Cllr Ndaba VM	302,054	40,800	-	3,600	-	346,454
Cllr Radebe AN	251,877	40,800	-	3,600	-	296,277
Cllr Manyathi NGJ	251,877	40,800	-	3,600	-	296,277
Cllr Buthelezi MA	251,877	40,800	-	3,600	-	296,277
Cllr Dubazana XM	251,877	40,800	-	3,600	-	296,277
Cllr Dube NS	251,877	40,800	-	3,600	-	296,277
Cllr Nair PG	251,877	40,800	-	3,600	-	296,277
Cllr Hlatswayo NS	251,877	40,800	-	3,600	-	296,277
Cllr Hlatswayo VR	251,877	40,800	-	3,600	-	296,277
Cllr Sibisi S S	251,877	40,800	-	3,600	-	296,277
Cllr Kumalo N.P	251,877	40,800	-	3,600	-	296,277
Cllr Kunene M	251,877	40,800	-	3,600	-	296,277
Cllr Ngidi MA	251,877	40,800	-	3,600	-	296,277
Cllr Matlaba MN	251,877	40,800	-	3,600	-	296,277
Cllr Mazibuko RN	251,877	40,800	-	3,600	-	296,277
Cllr Mfusi ES	251,877	40,800	-	3,600	-	296,277
Cllr Mkhize MS	251,877	40,800	-	3,600	-	296,277
Cllr Mkhumane MS	251,877	40,800	-	3,600	-	296,277
Cllr Sibisi SS	251,877	40,800	-	3,600	-	296,277
	4,835,840	**775,200**	**-**	**68,400**	**-**	**5,679,440**

2018 Executive Committee members	Annual remuneration	Cellphone allowance	Data card allowance	Total
Ndlovu SN	333,018	40,800	3,600	377,418
Nene PP	428,795	40,800	3,600	473,195
Sithole SG	333,018	40,800	3,600	377,418
	1,094,831	**122,400**	**10,800**	**1,228,031**

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.

26. Depreciation and amortisation

	2018	2017
Property,plant and equipment	19,795,184	25,763,150

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. General expenses

Advertising	1,757,033	343,482
Auditors remuneration	3,166,962	2,798,449
Bank charges	88,365	57,139
Burial of destitute	178,923	136,571
VAT Adjustments	-	2,503,959
Catering	562,193	421,766
Promote public participation	632,618	219,298
Chemicals	-	237,340
Cleaning material	144,766	275,516
Computer expenses	-	19,024
Proffessional fees	8,297,841	6,304,706
Conferences and seminars	1,358,705	571,237
Disaster management	237,190	2,612,131
Electricity	3,113,422	1,689,789
Electrification	4,628,129	11,940,104
Entertainment	182,483	267,134
Plans	418,897	1,139,116
First ten bursary	620,000	840,450
Gender and culture	-	325,460
HIV program	-	34,670
Insurance	553,375	509,763
Disabled project	135,506	36,961
Legal costs	66,703	174,746
Licence fees	-	297,752
Local Economic Development (LED)	-	1,289,255
Municipal partnership	2,058,828	1,199,119
Leave pay accrual	866,842	402,703
Maps and plans	3,691	1,537
Marketing and corporate	544,722	200,095
Mayoral expenses	365,985	293,346
Membership fees	500,000	492,668
Placement stipend	-	172,658
Postage fees	6,455	19,484
Printing and stationery	632,055	602,302
Valuation appeal board	-	378,334
Finance cost	236,614	-
Promote Intergrated Development Plan (IDP)	-	547,525
Refuse Bins/Bags	-	147,400
Rental of land	315,822	93,256
Rental office machine	493,123	409,454
Road marking	238,711	-
Project Launch Cost	227,687	-
Security and alarms	3,916,661	3,514,169
Seeds and plants	113,140	-
Senior citizen	-	272,893
Skills levy	292,637	808,764
Sports	-	159,807
Subsistence and travelling	1,813,722	1,019,839
Telephone	1,380,549	1,712,398
Job evaluation	-	54,202
Town cleaning	-	27,572
Training direct expense	838,950	726,775
Transport official vehicles	3,444,897	1,874,642
Uniforms	662,045	63,851
Utilities - Other	2,054,763	-
Valuation costs - interims	670,278	595,262
Provision for landfill site	278,430	6,465,108
Ward constituency meeting	-	702,074
Ward council committee	1,314,789	1,190,540
Workplace Skills Plan (WSP)	-	185,438

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
27. General expenses (continued)		
Youth	138,358	1,488,812
	49,552,864	**60,867,845**

28. Impairment of assets

	2018	2017
Impairments		
Property,plant and equipment	1,538,912	-
Debt Impairment	2,617,895	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	4,156,807	**-**

29. Auditors' remuneration

	2018	2017
Fees	3,166,962	2,798,449

30. Cash generated from operations

	2018	2017
Surplus	13,964,039	16,145,358
Adjustments for:		
Depreciation and amortisation	19,795,184	25,763,150
Loss on sale of assets and liabilities	(1,555)	(209,609)
Movements in retirement benefit assets and liabilities	360,275	(215,320)
Movements in provisions	278,430	8,628,258
Other non-cash items (Impairment of assets)	(1,538,912)	-
Other non-cash items - Fairvalue adjustment	(1,483,144)	-
Changes in working capital:		
Receivables from exchange transactions	1,519,249	1,270,045
Receivables from non-exchange transactions	1,434,563	(11,723,978)
Payables from exchange transactions	(2,241,011)	5,769,856
VAT	(97,133)	2,015,953
Unspent conditional grants and receipts	(490)	(4,169,548)
	31,989,495	**43,274,165**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. Commitments

Authorised Capital and Operating / Current Expenditure

Already contracted for but not provided for		
• Capital expenditure	142,366,125	23,471,716
• Operating / Current expenditure	6,061,776	-
	148,427,901	**23,471,716**
Not yet contracted for and authorised by accounting officer		
• Infrustructure	82,725,000	64,368,000
Total capital commitments		
Already contracted for but not provided for	148,427,901	23,471,716
Not yet contracted for and authorised by accounting officer	82,725,000	64,368,000
	231,152,901	**87,839,716**

Total commitments

Total commitments		
Authorised capital expenditure	231,152,901	87,839,716

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

32. Risk management

Financial risk management

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

Liquidity risk

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

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

Credit risk

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

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

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

Financial instrument	2018	2017
Cash and cash equivalents	53,088,232	47,890,792
Receivables from exchange transactions	2,477,737	3,677,257
Receivables from non-exchange transactions	21,538,062	20,127,256

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

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

Audit fees

Current year subscription / fee	3,166,962	2,798,449
Amount paid - current year	(3,166,962)	(2,798,449)
	-	-

PAYE and UIF

Current year subscription / fee	4,472,082	175,478
Amount paid - current year	(4,472,082)	2,961,569
	-	**3,137,047**

Pension and medical aid deductions

Opening balance	3,245,804	2,895,050
Current year subscription / fee	(3,245,804)	(2,895,050)
	-	-

VAT

VAT receivable	3,240,761	3,143,628

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

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

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at June 30, 2018:

Supply chain management regulations

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

Incident		
Deviations	4,737,470	2,227,548

34. Fruitless and wasteful expenditure

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Awards to close family members

Awards to close family members

Niksa Industries - Nephew of Mrs. S Narothum (Manager Corporate Service) who is employed by Dannhauser Municipality	17,700	47,131
Niksa Industries - Nephew of Mrs. S Narothum (Manager Corporate Service) who is employed by Dannhauser Municipality	43,360	-
Veez Micro Enterprise - Nephew of Mrs. S Narothum (Manager Corporate Service) who is employed by Dannhauser Municipality	2,767,273	-

36. Irregular expenditure

Opening balance	9,085,727	1,342,448
Add: Irregular Expenditure - current year	12,749,025	9,970,827
Less: Amounts written off	(12,749,025)	(2,227,548)
	9,085,727	**9,085,727**

Details of irregular expenditure – current year

Non compliance with SCM - Winning bidder not appointed		1,124,442
Awards made to state employees		218,006
Non Compliance with SCM - Invalid deviations		1,280,917
Non Compliance with SCM - Functionality criteria and weighting not clearly specified	R12 749 025.39	6,248,598
Non compliance with SCM - Original nor certified BBBEE certificate not submitted		213,764
	12, 749,025	**9,085,727**

37. Comparative figures

Certain comparative figures have been reclassified as follows:

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

38. Going concern

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

39. Events after the reporting date

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

40. Budget differences

Material differences between budget and actual amounts

43.1 Service charges – additional refuse truck was not purchased to cover additional wards. Allocation was moved to Technical Services during adjustment budget.

Rental of facilities – New sports centre usage did not increase as we anticipated.

Licences – Transport paid outstanding amount from previous financial years.

Other income- Skills budget now directed to service providers directly by LGSETA interest minimal variance.

Property Rates – Minimal Ramgoolam bid included in the budget not yet paying due to delays of completion certificate (Joe elaborated)

Fines – Officers has issued more than budgeted amount but Courts very slow in dealing with cases.

Employees related costs – minimal variance

Cllrs –minimal variance

Depreciation – less budget could be accommodated due to the reason that this is a non-cash item

Finance Cost – DBSA disbursement was based on completed projects.

General Expenses – Interest o loan was less than budgeted due to less funds received. WSP compilation was less budgeted amount of R2m. Placement and first eleven tertiary votes did not perform well.

41. Contingencies

There were no contingent assets or liabilities as at 30 June 2018.

42. Biological assets that form part of an agricultural activity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Bulls	70,000	-	70,000	-	-	-

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Additions	Total
Bulls	-	70,000	70,000

Reconciliation of biological assets that form part of an agricultural activity - 2017

Non - Financial information

Notes to the Annual Financial Statements

Figures in Rand

43. Short term loan

44. Other financial liabilities

Long term liability		
DBSA Loan The above is funding capital project for the perioad of ten years and paid quarterly at the fixed interest rate of 10.685%	9,077,297	-

The municipality has entered into a new finance lease agreement with DBSA during 2017/2018 financial year .The above loan is funding capital project for the perioad of ten years and paid quarterly at the fixed interest rate of 10.685%. The municipality expenses borrowing costs incurred on qualifying assets only when the commencement date for capitalisation is on or after the effective date of GRAP 5 for any assets acquired after the initial adoption of this Standard. Borrowing costs incurred prior to the effective date of GRAP 5.No withdrawals may be made from the Debt Service Reserve Account by the Cedent, except only in respect of making debt service payments due to the Cessionary, as and when such payments become due and payable as per provisions of the Loan Agreement.

Non-current liabilities		
DBSA Loan	8,119,124	-
Current liabilities		
Loan	958,173	-

45. Repairs and maintenance

Repairs and Maintanance	6,730,010	4,573,949

The amount paid to service provider R 5 906 468.95, Amount spent on materials R603 415.34 , time spent by employees R220 125.00 at eight hours per day.

46. Gain (loss) on disposal

Gain /Loss

Gain and loss on disposal of assets and liabilities		
Gains (loss) on disposal of assets and liabilities	(1,555)	467,414
Gains (loss) on disposal of assets and liabilities	-	(619,841)
CGT	-	442,211
	(1,555)	**289,784**

Notes to the Annual Financial Statements

47. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

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

Financial liabilities

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

Notes to the Annual Financial Statements

Figures in Rand

. Financial instruments disclosure (continued)

2017

Financial assets

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

Financial liabilities

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