

Planning by	Reviewed	Performed by	Final review



(Registration number EC106)
Trading as Sundays River Valley Municipality
Financial statements
for the year ended 30 June 2018

General Information

Legal form of entity	The entity functions as a local municipality, established under paragraph 151 of the Constitution of the Republic of South Africa.
Nature of business and principal activities	<p>Sundays River Valley Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (No 117 of 1998).</p> <p>The municipality's operations are governed by:</p> <ul style="list-style-type: none">- Municipal Finance Management Act (No 56 of 2003)- Municipal Structures Act (No 117 of 1998)- Municipal Systems Act (No 32 of 2000) and various other acts and regulations. <p>The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like water, electricity, sewerage and sanitation to the community</p>
Mayoral committee	
Executive Mayor	NG Bixa
	SH Rune - Speaker
Councillors	F Adams - Portfolio Head: Community Services PR Blou - Portfolio Head: Technical Services K Smith - Portfolio Head: IDP and LED Services NG Kausele - MPAC Chairperson A Dancey L Erasmus N Jack M Bosman K Mbangi SC Nodonti MC Payi LE Beka ZA Tom A Ndawo
Grading of local authority	Grade 2
Accounting Officer	Sydney Sakhekile Fadi mm@srvn.gov.za
Chief Finance Officer (CFO)	Nkosazana Ponco nkosazanap@srvn.gov.za
Registered office	30 Middle Street Kirkwood 6120
Postal address	P.O. Box 47 Kirkwood 6120
Bankers	First National Bank
Auditors	Auditor General South Africa

Sundays River Valley Municipality
Registration number EC106
Annual Financial Statements for the year ended 30 June 2018

General Information

Attorneys

Phumeza Bono Incorporated
Le Roux Inc Attorneys
Karsans Incorporated
B Mashile 1st Attorneys

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GRAP	Generally Recognised Accounting Practice
MSIG	Municipal Systems Improvement Grant
MIG	Municipal Infrastructure Grant
INEP	Intergrated National Electrification Programme
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
DPW	Department of Public Works
MFMA	Municipal Finance Management Act

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

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

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

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

The accounting 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 municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of its operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6 to 74 which have been prepared on the going concern basis, were approved by the accounting officer on 17 September 2018 and were signed on its behalf by:

Sidney Sakhekile Fadi
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is a South African Category B and operates principally in South Africa.

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

Net surplus of the municipality was R 75,542,086 (2017: surplus R 13,626,475).

2. Going concern

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

3. Auditors

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

Statement of Financial Position as at 30 June 2018

Figures in Rand		Note(s)	2018	2017 Restated*
Assets				
Current Assets				
Inventories	30.20	7	169,130	241,054
Receivables from exchange transactions	31.20	8&10	47,504,291	25,116,979
Receivables from non-exchange transactions	33.20	9&10	30,489,659	26,141,233
Cash and cash equivalents	32.20	11	12,584,646	14,933,771
			90,747,726	66,433,037
Non-Current Assets				
Investment property	21.20	3	29,250,200	29,250,200
Property, plant and equipment	20.20	4	607,484,123	541,534,349
Intangible assets	23.22	5	4,248,888	1,748,034
Heritage assets	26.22	6	322,483	322,483
			641,305,694	572,855,066
Total Assets			732,053,420	639,288,103
Liabilities				
Current Liabilities				
Finance lease obligation	25.29	12	1,150,030	565,735
Payables from exchange transactions	51.20	16	53,423,665	38,832,341
VAT payable	53.20	17	3,740,530	3,642,624
Consumer deposits	51.10.20	18	63,693	55,966
Unspent conditional grants and receipts	43.20	13	2,417,888	3,757,216
Employee benefit obligation	43.27	15	779,626	606,757
			61,575,432	47,460,639
Non-Current Liabilities				
Finance lease obligation	25.29	12	1,213,811	318,333
Provisions	52.20	14	13,936,157	12,668,082
Employee Benefit Obligation	43.27	15	4,282,428	3,336,032
			19,432,396	16,322,447
Total Liabilities			81,007,828	63,783,086
Net Assets			651,045,592	575,505,017
Accumulated surplus	40.24		651,045,592	575,505,017

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	46,569,246	35,844,737
Rental of facilities and equipment		55,034	65,792
Interest received - Service charges		6,125,992	7,620,514
Agency services	22	2,576,162	2,652,654
Licences and permits	23	1,662,954	2,123,238
Other income	27	608,496	1,422,813
Interest received - investment		1,498,102	1,615,919
Total revenue from exchange transactions		59,095,986	51,345,667
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	35,120,668	34,163,339
Licences and Permits (Non-exchange)	24	2,888	1,557
Interest on Property Rates	26	2,118,584	2,720,200
Transfer revenue			
Government grants & subsidies	29	172,517,194	104,128,751
Public contributions and donations	30	52,942	568,532
Fines, Penalties and Forfeits	21	2,615,350	1,815,532
Total revenue from non-exchange transactions		212,427,626	143,397,911
Total revenue	19	271,523,612	194,743,578
Expenditure			
Employee related costs	31	(61,822,796)	(55,461,425)
Remuneration of councillors	32	(6,818,798)	(6,214,284)
Depreciation and amortisation	33	(27,930,074)	(32,012,375)
Finance costs	34	(1,949,706)	(1,079,746)
Lease rentals	25	(893,423)	(1,104,190)
Debt Impairment	35	(22,725,947)	(23,419,926)
Bulk purchases	36	(20,200,443)	(17,220,159)
Contracted services	37	(20,519,096)	(22,220,845)
Loss on disposal		(4,571,904)	(487,104)
General Expenses	38	(28,549,339)	(21,897,049)
Total expenditure		(195,981,526)	(181,117,103)
Surplus for the year		75,542,086	13,626,475

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	566,300,238	566,300,238
Adjustments		
Correction of errors	(4,421,696)	(4,421,696)
Restated Reported Balance at 01 July 2016	561,878,542	561,878,542
Changes in net assets		
Surplus for the year	13,626,475	13,626,475
Total changes	13,626,475	13,626,475
Restated* Balance at 01 July 2017	575,503,506	575,503,506
Changes in net assets		
Surplus for the year	75,542,086	75,542,086
Total changes	75,542,086	75,542,086
Balance at 30 June 2018	651,045,592	651,045,592

Refer to Prior period error note

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		44,478,636	44,048,432
Grants		171,177,866	104,820,730
Interest income		1,498,102	1,615,919
Other receipts		4,905,534	6,266,054
		222,060,138	156,751,135
Payments			
Employee costs		(68,641,595)	(61,675,709)
Suppliers		(55,613,198)	(50,601,272)
Finance costs		(488,494)	(461,591)
		(124,743,287)	(112,738,572)
Net cash flows from operating activities	40	97,316,851	44,012,563
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(95,316,065)	(34,463,141)
Purchase of other intangible assets	5	(3,369,461)	(1,536,739)
Net cash flows from investing activities		(98,685,526)	(35,999,880)
Cash flows from financing activities			
Finance lease payments		(980,450)	(949,009)
Net increase/(decrease) in cash and cash equivalents		(2,349,125)	7,063,674
Cash and cash equivalents at the beginning of the year		14,933,771	7,870,107
Cash and cash equivalents at the end of the year	11	12,584,646	14,933,781

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	33,901,007	14,763,405	48,664,412	46,569,246	(2,095,166)	A1
Rental of facilities and equipment	36,253	298,470	334,723	55,034	(279,689)	A2
Interest received - Service charges	8,871,650	(4,688,855)	4,182,795	6,125,992	1,943,197	A3
Agency services	2,714,679	-	2,714,679	2,576,162	(138,517)	
Licences and permits	2,669,823	(874,227)	1,795,596	1,662,954	(132,642)	
Other income	556,125	191,547	747,672	608,496	(139,176)	A4
Interest received - investment	1,652,758	97,190	1,749,948	1,498,102	(251,846)	A5
Total revenue from exchange transactions	50,402,295	9,787,530	60,189,825	59,095,986	(1,093,839)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	35,770,728	10,715,535	46,486,263	35,120,668	(11,365,595)	A6
Licences and Permits (Non-exchange)	10,000	(5,000)	5,000	2,888	(2,112)	A7
Interest received - Property rates	2,217,912	-	2,217,912	2,118,584	(99,328)	

Transfer revenue

Government grants & subsidies	141,249,474	234,436	141,483,910	172,517,194	31,033,284	A8
Public contributions and donations	-	-	-	52,942	52,942	A9
Fines, Penalties and Forfeits	3,171,508	(5,196)	3,166,312	2,615,350	(550,962)	A10

Total revenue from non-exchange transactions	182,419,622	10,939,775	193,359,397	212,427,626	19,068,229	
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Total revenue	232,821,917	20,727,305	253,549,222	271,523,612	17,974,390	
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Expenditure

Personnel	(54,366,636)	(4,601,806)	(58,968,442)	(61,822,796)	(2,854,354)	A11
Remuneration of councillors	(5,875,010)	(1,016,083)	(6,891,093)	(6,818,798)	72,295	
Depreciation and amortisation	(26,686,494)	-	(26,686,494)	(27,930,074)	(1,243,580)	
Finance costs	(3,859,053)	616,302	(3,242,751)	(1,949,706)	1,293,045	A12
Lease rentals on operating lease	(1,200,000)	-	(1,200,000)	(893,423)	306,577	A13
Debt Impairment	(13,516,565)	-	(13,516,565)	(22,725,947)	(9,209,382)	A14
Bulk purchases	(20,999,220)	(6,000,000)	(26,999,220)	(20,200,443)	6,798,777	A15

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contracted Services	(27,503,468)	4,588,773	(22,914,695)	(20,519,096)	2,395,599	A16
General Expenses	(33,974,673)	(2,493,187)	(36,467,860)	(28,549,339)	7,918,521	A17
Total expenditure	(187,981,119)	(8,906,001)	(196,887,120)	(191,409,622)	5,477,498	
Operating surplus	44,840,798	11,821,304	56,662,102	80,113,990	23,451,888	
Loss on non-current assets held for sale or disposal groups	-	-	-	(4,571,904)	(4,571,904)	A19
Surplus before taxation	44,840,798	11,821,304	56,662,102	75,542,086	18,879,984	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	44,840,798	11,821,304	56,662,102	75,542,086	18,879,984	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	234,388	20,112	254,500	169,130	(85,370)	B1
Receivables from non-exchange transactions	52,828,693	-	52,828,693	77,993,950	25,165,257	B2
Cash and cash equivalents	23,412,022	(140,270)	23,271,752	12,584,646	(10,687,106)	B3
	76,475,103	(120,158)	76,354,945	90,747,726	14,392,781	
Non-Current Assets						
Investment property	31,213,200	(1,963,000)	29,250,200	29,250,200	-	
Property, plant and equipment	550,280,953	41,927,668	592,208,621	607,484,123	15,275,502	B3.1
Intangible assets	2,995,954	-	2,995,954	4,248,888	1,252,934	B4
Heritage assets	-	322,483	322,483	322,483	-	
	584,490,107	40,287,151	624,777,258	641,305,694	16,528,436	
Total Assets	660,965,210	40,166,993	701,132,203	732,053,420	30,921,217	
Liabilities						
Current Liabilities						
Finance lease obligation	396,657	608,886	1,005,543	1,150,030	144,487	B6
Payables from exchange transactions	29,658,020	-	29,658,020	53,423,665	23,765,645	B7
VAT payable	-	-	-	3,740,530	3,740,530	B5
Consumer deposits	289,662	(226,050)	63,612	63,693	81	
Unspent conditional grants and receipts	-	-	-	2,417,888	2,417,888	B9
Employee benefit obligation	-	-	-	779,626	779,626	
	30,344,339	382,836	30,727,175	61,575,432	30,848,257	
Non-Current Liabilities						
Finance lease obligation	-	1,833,700	1,833,700	1,213,811	(619,889)	B10
Provisions	16,508,483	43,334	16,551,817	13,936,157	(2,615,660)	B11
Employee Benefit Obligation	-	-	-	4,282,428	4,282,428	
	16,508,483	1,877,034	18,385,517	19,432,396	1,046,879	
Total Liabilities	46,852,822	2,259,870	49,112,692	81,007,828	31,895,136	
Net Assets	614,112,388	37,907,123	652,019,511	651,045,592	(973,919)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	614,112,388	37,907,123	652,019,511	651,045,592	(973,919)	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period. Details of any changes in accounting policy are explained in the relevant policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern

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

1.3 Comparative figures

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

1.4 Critical judgements, estimates and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are set out below: Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

Management determine the selling prices and direct cost to sell on certain inventory items. In determining the fair value inventories are written down to the lower of cost or net realisable value. The write down/ inventory gain is included in the surplus/deficit.

Fair value estimation

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

Accounting Policies

1.4 Critical judgements, estimates and assumptions (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible 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 tested on an annual basis for impairment. If there are indications that impairment may have occurred, estimates are prepared of the carrying value of assets.

Provisions

Provisions are raised and management determines an estimate based on the information available.

Provisions are measured at the best estimate and are discounted to present value where the effect is material.

Provision for rehabilitation of landfill sites

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

The uncertainties and assumptions attached to this provision are listed as follows:

- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or end use for the landfill sites.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

Allowance for doubtful debts

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

1.5 Investment property

Investment property is property (land) held to earn rentals or for capital appreciation or both, rather than for:

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

Accounting Policies

1.5 Investment property (continued)

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

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

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

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

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

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property. The municipality classifies its land as investment property with an indefinite useful life.

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.

Measurement

Property, plant and equipment is initially measured at cost

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Work-in progress

Work-in progress is stated at historical cost . Depreciation only commences when the asset is ready for use.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Depreciation

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	25- 30 years
Leasehold property	Straight line	3 years
Plant and machinery	Straight line	3 - 5 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	7 - 10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Infrastructure	Straight line	3 - 80 years
Community	Straight line	25 -30 years
Other property, plant and equipment	Straight line	3 - 5 years

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when it is separable, or when it arises from contractual or other legal rights.

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Accounting Policies

1.7 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3- 5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

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.

Accounting Policies

1.9 Financial instruments (continued)

Classification

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
Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial instruments are measured at amortised cost, and are subject to an impairment review.

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity 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.

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Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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 Leases

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

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

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.11 Inventories (continued)

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

Property held as part of the Rural Development Housing Program (RDP)

Residential property under the municipality's RDP housing program are held to be distributed through non-exchange transactions. These are held for provision of services to the community and/or to be given to certain groups of people from the general public at no cost

Future economic benefits will flow to the municipality in the form of rates and taxes that will be charged to the parties involved and the cost can be reliably determined to be Nil as the properties were vested to the municipality at no cost. The residential property will be measured initially at cost which is Nil.

The municipality's intension is for distribution of low cost houses to the disadvantaged and underprovided individuals at no cost; hence will be held initially and subsequently in the municipality's accounting records at Nil.

1.12 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.

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.

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an 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.

Accounting Policies

1.12 Provisions and contingencies (continued)

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Accounting Policies

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

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.

Property Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Debt forgiveness and assumption of liabilities

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

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

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.16 Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.17 Vat Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.18 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.19 Finance costs

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

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

Accounting Policies

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

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

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

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

1.23 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

1.24 Budget information

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

Accounting Policies

1.24 Budget information (continued)

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

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

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

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

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

1.25 Events after reporting date

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

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

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

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

Sundays River Valley Municipality
Registration number EC106
Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

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Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

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

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

Sundays River Valley Municipality
Registration number EC106
Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

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3. Investment property

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29,250,200	-	29,250,200	29,250,200	-	29,250,200

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	29,250,200	29,250,200

Reconciliation of investment property - 2017

	Opening balance	Disposals	Total
Investment property	29,252,700	(2,500)	29,250,200

Notes to the Financial Statements

Figures in Rand	2018	2017
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3. Investment property (continued)

Details of property

Investment property relates to land owned by the municipality and a register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the offices of the municipality.

All of the municipality's investment property is held under freehold interests and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

No impairment losses have been recognised on investment property of the municipality at the reporting date.

(Registration number EC106)
 Trading as Sundays River Valley Municipality
 Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

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4. 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	27,953,681	-	27,953,681	27,953,681	-	27,953,681
Buildings	40,580,299	(25,971,425)	14,608,874	40,547,199	(25,199,953)	15,347,246
Plant and machinery	592,630	(390,369)	202,261	619,027	(366,344)	252,683
Furniture and fixtures	6,380,744	(4,580,908)	1,799,836	6,135,444	(4,132,773)	2,002,671
Motor vehicles	7,420,252	(1,706,509)	5,713,743	7,420,252	(1,292,147)	6,128,105
IT equipment	3,673,426	(2,184,253)	1,489,173	3,497,239	(1,711,815)	1,785,424
Infrastructure	794,160,139	(414,444,410)	379,715,729	789,533,648	(395,240,974)	394,292,674
Community	62,633,199	(23,632,885)	39,000,314	64,419,662	(22,740,484)	41,679,178
Work-in-Progress	134,740,379	-	134,740,379	51,272,729	-	51,272,729
Leased office equipment	2,758,247	(498,114)	2,260,133	5,876,205	(5,056,247)	819,958
Leased motor vehicles	-	-	-	1,536,712	(1,536,712)	-
Total	1,080,892,996	(473,408,873)	607,484,123	998,811,798	(457,277,449)	541,534,349

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	27,953,681	-	-	-	-	-	27,953,681
Buildings	15,347,246	33,100	-	-	(771,472)	-	14,608,874
Plant and machinery	252,683	24,156	(50,553)	-	(20,434)	(3,591)	202,261
Furniture and fixtures	2,002,671	381,351	(136,051)	-	(435,623)	(12,512)	1,799,836
Motor vehicles	6,128,105	-	-	-	(318,220)	(96,142)	5,713,743
IT equipment	1,785,424	272,789	(96,602)	-	(468,364)	(4,074)	1,489,173
Infrastructure	394,292,674	11,137,019	(6,510,528)	-	(19,318,310)	114,874	379,715,729
Community	41,679,178	-	(1,786,463)	-	(892,401)	-	39,000,314
Work-in-Progress	51,272,729	94,604,669	-	(11,137,019)	-	-	134,740,379
Leased office equipment	819,958	2,267,083	(5,385,041)	-	4,558,133	-	2,260,133
	541,534,349	108,720,167	(13,965,238)	(11,137,019)	(17,666,691)	(1,445)	607,484,123

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	27,953,681	-	-	-	-	-	27,953,681
Buildings	16,160,146	149,081	-	-	(780,788)	(181,193)	15,347,246
Plant and machinery	222,318	100,101	(12,870)	-	(56,156)	(710)	252,683
Furniture and fixtures	2,423,622	302,180	(159,681)	-	(555,987)	(7,463)	2,002,671
Motor vehicles	3,884,878	2,544,949	-	-	(271,874)	(29,848)	6,128,105
IT equipment	961,677	1,339,031	(100,726)	-	(404,596)	(9,962)	1,785,424
Infrastructure	404,685,747	16,297,096	(1,182,161)	-	(25,404,073)	(103,935)	394,292,674
Community	39,147,012	4,150,418	(330,613)	-	(1,287,639)	-	41,679,178
Work-in-Progress	42,183,598	29,536,644	-	(20,447,513)	-	-	51,272,729
Leased office equipment	1,399,018	491,164	(69,926)	-	(1,000,298)	-	819,958
Leased motor vehicles	289,893	-	-	-	(289,893)	-	-
	539,311,590	54,910,664	(1,855,977)	(20,447,513)	(30,051,304)	(333,111)	541,534,349

Notes to the Financial Statements

Figures in Rand 2018 2017

4. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Leased office equipment	2,260,133	819,958
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Details of properties

The municipality did not pledge any of its assets. No restrictions apply to any of the property, plant and equipment of the municipality, other than assets under finance leases.

At 30 June 2018, assets with a value of R 1 445 was considered to be impaired (2017: R 333 111)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	51,162,527	110,219	460,000	51,732,746
Additions/capital expenditure	93,660,545	944,125	-	94,604,670
Transferred to completed items	(11,137,019)	-	(460,000)	(11,597,019)
	133,686,053	1,054,344	-	134,740,397

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	38,932,053	3,251,563	-	42,183,616
Additions/capital expenditure	28,527,570	1,009,074	460,000	29,996,644
Transferred to completed items	(16,297,096)	(4,150,418)	-	(20,447,514)
	51,162,527	110,219	460,000	51,732,746

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	2,198,004	821,222
Hire charges	1,069,730	2,866,199
General expenses	451,550	286,471
	3,719,284	3,973,892

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 Financial Statements

Figures in Rand

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5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6,693,523	(2,444,635)	4,248,888	2,864,062	(1,576,028)	1,288,034
Intangible assets under development	-	-	-	460,000	-	460,000
Total	6,693,523	(2,444,635)	4,248,888	3,324,062	(1,576,028)	1,748,034

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	1,288,034	3,829,461	-	(868,607)	4,248,888
Intangible assets under development	460,000	-	(460,000)	-	-
	1,748,034	3,829,461	(460,000)	(868,607)	4,248,888

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	468,200	1,076,739	(256,905)	1,288,034
Intangible assets under development	-	460,000	-	460,000
	468,200	1,536,739	(256,905)	1,748,034

6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70,975	-	70,975	70,975	-	70,975
Historical buildings	251,508	-	251,508	251,508	-	251,508
Total	322,483	-	322,483	322,483	-	322,483

Reconciliation of heritage assets 2018

	Opening balance	Total
Collections of rare books, manuscripts and records	70,975	70,975
Historical buildings	251,508	251,508
	322,483	322,483

Notes to the Financial Statements

Figures in Rand 2018 2017

6. Heritage assets (continued)

Reconciliation of heritage assets 2017

	Opening balance	Total
Collections of rare books, manuscripts and records	70,975	70,975
Historical buildings	251,508	251,508
	322,483	322,483

7. Inventories

Consumable stores	156,451	237,163
Water	12,679	3,891
	169,130	241,054

Inventory pledged as security

No Inventory was pledged as security .

8. Receivables from exchange transactions

Accrued Revenue	597,747	465,030
Consumer debtors - Electricity	13,968,359	9,461,879
Consumer debtors - Water	15,557,175	5,874,727
Consumer debtors - Waste water	4,097,811	1,535,346
Consumer debtors - Refuse	7,548,639	3,714,333
Consumer debtors - Property Rentals	122,026	124,697
Consumer debtors - Interest charges	5,612,534	3,940,967
	47,504,291	25,116,979

Trade and other receivables pledged as security

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

Credit quality of trade and other receivables

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

Fair value of trade and other receivables

The management of the municipality is of the opinion that the carrying value of receivables from exchange transaction approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Debtors as well as the current payment ratio's of the municipality's Receivables.

In determining the recoverability of a receivable from exchange transaction, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

Notes to the Financial Statements

Figures in Rand	2018	2017
8. Receivables from exchange transactions (continued)		
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 11,698,763 (2017: R 11,918,470) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	4,053,312	5,350,147
2 months past due	3,899,869	3,274,080
3 months past due	3,745,582	3,294,243
9. Receivables from non-exchange transactions		
Fines	292	207,582
Other receivables from non-exchange revenue	264,579	196,503
Consumer debtors - Rates	30,224,788	25,737,148
	30,489,659	26,141,233
Receivables from non-exchange transactions pledged as security		
The municipality does not hold deposits or other security for its receivables from non-exchange transactions and none of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
10. Consumer debtors		
Gross balances		
Consumer debtors - Rates	66,099,214	58,066,822
Consumer debtors - Electricity	21,157,787	15,429,918
Consumer debtors - Water	99,412,310	87,850,820
Consumer debtors - Waste water	23,436,713	18,888,784
Consumer debtors - Refuse	48,933,627	40,670,590
Consumer debtors - Property Rentals	192,281	200,537
Consumer debtors - Interest Charges	18,563,832	10,306,225
	277,795,764	231,413,696
Less: Allowance for impairment		
Consumer debtors - Rates	(35,874,426)	(32,329,674)
Consumer debtors - Electricity	(7,189,428)	(5,968,039)
Consumer debtors - Water	(83,855,135)	(81,976,093)
Consumer debtors - Waste water	(19,338,902)	(17,353,438)
Consumer debtors - Refuse	(41,384,988)	(36,956,257)
Consumer debtors - Property Rentals	(70,255)	(75,840)
Consumer debtors - Interest Charges	(12,951,298)	(6,365,258)
	(200,664,432)	(181,024,599)

Notes to the Financial Statements

Figures in Rand	2018	2017
10. Consumer debtors (continued)		
Net balance		
Consumer debtors - Rates	30,224,788	25,737,148
Consumer debtors - Electricity	13,968,359	9,461,879
Consumer debtors - Water	15,557,175	5,874,727
Consumer debtors - Waste water	4,097,811	1,535,346
Consumer debtors - Refuse	7,548,639	3,714,333
Consumer debtors - Property Rentals	122,026	124,697
Consumer debtors - Interest Charges	5,612,534	3,940,967
	77,131,332	50,389,097
Rates		
Current (0 -30 days)	2,126,676	1,810,917
31 - 60 days	1,446,713	1,231,912
61 - 90 days	1,104,373	940,401
91 - 120 days	469,269	399,594
121 - 365 days	25,077,757	21,354,324
	30,224,788	25,737,148
Electricity		
Current (0 -30 days)	3,633,907	2,558,782
31 - 60 days	1,302,577	915,894
61 - 90 days	1,224,646	861,098
91 - 120 days	629,678	442,752
121 - 365 days	7,177,551	4,683,353
	13,968,359	9,461,879
Water		
Current (0 -30 days)	4,182,900	1,300,437
31 - 60 days	2,888,351	897,970
61 - 90 days	3,241,858	1,007,873
91 - 120 days	539,953	167,757
121 - 365 days	4,704,113	2,500,690
	15,557,175	5,874,727
Waste water		
Current (0 -30 days)	673,494	213,423
31 - 60 days	648,409	205,474
61 - 90 days	627,096	198,720
91 - 120 days	68,753	21,787
121 - 365 days	2,080,059	895,942
	4,097,811	1,535,346
Refuse		
Current (0 -30 days)	1,017,588	413,202
31 - 60 days	1,024,811	416,135
61 - 90 days	999,549	405,877
91 - 120 days	169,290	68,750
121 - 365 days	4,337,401	2,410,369
	7,548,639	3,714,333

Notes to the Financial Statements

Figures in Rand 2018 2017

10. Consumer debtors (continued)

Property Rentals

121 - 365 days	122,026	124,697
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Interest Charge

Current (0 -30 days)	1,205,264	846,303
31 - 60 days	1,194,306	838,609
61 - 90 days	1,168,766	820,675
91 - 120 days	106,044	74,461
121 - 365 days	1,938,154	1,360,919
	5,612,534	3,940,967

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	700	-
Bank balances	507,473	1,051,280
Short-term deposits (call accounts)	12,076,473	13,882,491
	12,584,646	14,933,771

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB Primary Account	313,809	952,736	361,668	232,721	967,973	361,682
FNB MVR Account	236,338	83,308	-	245,577	83,308	-
FNB Traffic fines Accounts	29,174	-	-	29,174	-	-
Cash on hand	-	-	-	700	-	-
IDP Call Account	-	1,000	56,915	-	1,000	56,915
Roads and Public Works	1,000	413,164	2,350,682	1,000	413,163	2,350,682
MSIG Grant	1,000	6,488	2,521	1,000	6,488	2,521
MIG Emsengeni Call Account	1,000	3,279,326	1,000	1,000	3,279,326	1,000
Addo Call Account	1,803	1,790	1,772	1,803	1,790	1,772
Finance Management	3,858	1,000	10,687	3,858	1,000	10,687
Intergrated Zoning Scheme	1,000	8,723	108,723	1,000	8,723	108,723
Town Planning Call Account	1,000	54,029	350,218	1,000	54,029	350,218
Library Call Account	1,000	1,000	1,057	1,000	1,000	1,057
Electricity Accountant	1,000	1,000	1,000	1,000	1,005	1,000
Salary Call Account	1,913	913	5,039	1,913	913	5,039
EPWP Incentive Grant	1,000	6,688	1,000	1,000	6,688	1,000
TOA	12,058,900	10,105,365	4,543,095	12,058,900	10,105,365	4,543,095
Establishment of Enon	1,000	1,000	70,124	1,000	1,000	70,124
Emergency Relief Fund	1,000	1,000	4,592	1,000	1,000	4,592
Total	12,655,795	14,918,530	7,870,093	12,584,646	14,933,771	7,870,107

Notes to the Financial Statements

Figures in Rand	2018	2017
12. Finance lease obligation		
Minimum lease payments due		
- within one year	1,150,030	618,096
- in second to fifth year inclusive	1,578,659	347,388
	2,728,689	965,484
less: future finance charges	(364,847)	(81,416)
Present value of minimum lease payments	2,363,842	884,068
Present value of minimum lease payments due		
- within one year	1,150,030	565,735
- in second to fifth year inclusive	1,213,811	318,333
	2,363,841	884,068
Non-current liabilities	1,213,811	318,333
Current liabilities	1,150,030	565,735
	2,363,841	884,068

The finance lease obligation relates to office equipment acquired through leases. The average lease term is 3 years.

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

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	269	3,278,326
Small Town Revitalisation Grant	54,030	54,029
Audit Improvement	-	5,488
EPWP	-	5,688
DPW Roads	270,846	412,164
FMG Grant	1,222	-
MSIG Grant	1,521	1,521
Disaster and Emergency Grant	2,090,000	-
	2,417,888	3,757,216

Movement during the year

Balance at the beginning of the year	3,757,216	3,065,237
Additions during the year	102,759,205	42,315,598
Income recognised during the year	(104,098,533)	(41,623,619)
	2,417,888	3,757,216

Notes to the Financial Statements

Figures in Rand 2018 2017

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	12,668,082	1,268,075	13,936,157

Reconciliation of provisions - 2017

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	12,049,927	618,155	12,668,082

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2018 by a technical specialist, using the the average cost of borrowing interest rate. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives

	Proposed Date	Rehabilitation Cost
Kirkwood Lanfill Site	2032/2033	5,964,678
Paterson Landfill Site	2030/2031	1,375,662
Sunland Landfill Site	2026/2027	6,595,816

Notes to the Financial Statements

Figures in Rand 2018 2017

15. Employee Benefit Obligation

Defined benefit plan

The defined benefit plan consists of the post retirement medical aid benefit plan and long service bonuses.

Long-service awards

A Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

The long service bonus plans are defined benefit plans. As at 30 June 2018, 221 (2017: 233) employees were eligible for Long-service Awards.

The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2018 arising out of the long-service leave awarded to qualifying in-service employees.

Carrying Value

Opening Accrued Liability	2,494,990	2,256,792
Current Service Cost	369,745	282,035
Interest Cost	189,904	178,013
Actuarial Gains/ Losses	94,732	61,683
Expected Benefit Vesting	(417,791)	(283,533)
	2,731,580	2,494,990
Current Liability	504,035	417,791
Non Current Liability	2,227,545	2,077,199
	2,731,580	2,494,990

Key Assumptions Used

Discount rate	8,42%	8,29%
General salary inflation	6,06%	6,11%
Net effective discount rate	2,23%	2,06%
Average retirement age	63	63

Other Assumptions

Normal retirement age	65 years	63 years
Number of trading days per year	250	250

Post retirement medical aid plan

The Municipality operates five accredited medical aid schemes, namely:

Bonitas
 Key health
 Hosmed
 LA Health
 Samwu

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

Notes to the Financial Statements

Figures in Rand 2018 2017

15. Employee Benefit Obligation (continued)

At 30 June 2018, 5 (2017: 4) employees were eligible for post retirement medical aid plan.

The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2018 arising out of the post retirement medical aid plan awarded to qualifying in-service employees.

Carrying Value

Present Value of defined benefit obligation	1,447,799	1,436,328
Interest Cost	114,912	114,627
Net Actuarial (Gains)/Losses	956,729	63,020
Expected Benefits	(188,966)	(166,176)
	2,330,474	1,447,799
Current liability	275,591	188,966
Non-current liability	2,054,883	1,258,833
	2,330,474	1,447,799

Membership Data

Female members	4	3
Male members	1	1

Assumptions used

Assumptions used at the reporting date:

Discount rates used	8.85%	8.48%
Health care cost inflation rate	6.90%	6.78%
Expected rate of return on reimbursement rights	1.82%	1.59%

16. Payables from exchange transactions

Trade payables	34,178,106	25,514,404
Payments received in advanced	2,841,856	80,289
Other payables	143,190	261,936
Accrued 13th cheque	1,466,919	1,449,937
Accrued leave pay	4,451,823	5,148,611
Motor Registration	715,948	907,943
Retention	3,262,090	501,621
Unallocated Deposits	2,306,712	2,100,866
Unknown Deposit	701,364	701,364
Payroll Creditors	3,355,657	2,165,370
	53,423,665	38,832,341

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

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

Accrued bonus relates to the thirteenth cheque payable annually by the municipality. The accrual is an estimate of the amount due at the reporting date.

Notes to the Financial Statements

Figures in Rand 2018 2017

17. VAT payable

VAT payable	3,740,530	3,642,624
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No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date. Municipality is claiming VAT on as and when the money is paid to suppliers and the money is received from customers. This provision relates to income and expenditure that was invoiced and has not been paid to suppliers or received from customers.

18. Consumer deposits

Consumer deposits	63,693	55,966
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

19. Revenue

Service charges	46,569,246	35,844,737
Rental of facilities and equipment	55,034	65,792
Interest received - Service charges	6,125,992	7,620,514
Agency services	2,576,162	2,652,654
Licences and permits	1,665,842	2,124,795
Other income	608,496	1,422,813
Interest received - investment	1,498,102	1,615,919
Property rates	35,120,668	34,163,339
Interest received - Property Rates	2,118,584	2,720,200
Government grants & subsidies	172,517,194	104,128,751
Public contributions and donations	52,942	568,532
Fines, Penalties and Forfeits	2,615,350	1,815,532
	271,523,612	194,743,578

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

Service charges	46,569,246	35,844,737
Rental of facilities and equipment	55,034	65,792
Interest received - Service charges	6,125,992	7,620,514
Agency services	2,576,162	2,652,654
Licences and permits	1,662,954	2,123,238
Other income	608,496	1,422,813
Interest received - investment	1,498,102	1,615,919
	59,095,986	51,345,667

Notes to the Financial Statements

Figures in Rand	2018	2017
19. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	35,120,668	34,163,339
Licences or permits	2,888	1,557
Interest recieved - Property rates	2,118,584	2,720,200
Transfer revenue		
Government grants & subsidies	172,517,194	104,128,751
Public contributions and donations	52,942	568,532
Fines, Penalties and Forfeits	2,615,350	1,815,532
	212,427,626	143,397,911
20. Service charges		
Sale of electricity	21,124,110	18,549,664
Sale of water	12,267,842	9,545,332
Sewerage and sanitation charges	4,606,584	2,661,020
Refuse removal	8,570,710	5,088,721
	46,569,246	35,844,737
21. Fines, Penalties and Forfeits		
Law Enforcement Fines	2,276,712	1,814,532
Overdue Books Fines	-	1,000
Court Traffic Fines	338,638	-
	2,615,350	1,815,532
22. Agency services		
Vehicle Registration	2,576,162	2,652,654
23. Licences and permits (exchange)		
Licences and permits	1,662,954	2,123,238
24. Licences and permits (non-exchange)		
Trading Certificates	2,888	1,557
25. Lease rentals		
Lease rentals on operating lease		
Contractual amounts	893,423	1,104,190
26. Interest on Property Rates		
Interest - Receivables	2,118,584	2,720,200

Notes to the Financial Statements

Figures in Rand	2018	2017
27. Other income		
Valuation and clearance certificates	6,519	5,481
Tender documents	63,554	161,754
Staff recoveries	69,830	568
Photocopies	5,895	2,379
Insurance refunds	148,631	183,239
Discounts and early settlements	14,574	791,231
Commission received	93,292	84,214
Prepaid meter sales	32,569	49,275
Cemerty and Burial	49,243	47,837
Building Plans Approval	124,389	96,835
	608,496	1,422,813

28. Property rates

Rates received

Residential	4,240,565	4,214,900
Commercial	210,812	205,066
State	12,055,219	11,726,615
Small holdings and farms	14,236,611	13,848,544
Industrial	4,333,010	4,124,975
Public Service Infrastructure	44,451	43,239
	35,120,668	34,163,339

Valuations

Residential	880,606,340	880,606,340
Commercial	298,993,493	298,993,493
State	381,627,240	381,627,240
Churches	59,457,220	59,457,220
Exempt	33,588,362	33,588,362
Small holdings and farms	5,156,657,745	5,156,657,745
Public service infrastructure	35,401,868	35,401,868
	6,846,332,268	6,846,332,268

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014 by Associated Propert Valuers. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an a monthly basis to property owners accounts and payable at month end. Interest levied at a rate determined by council on outstanding rates amounts.

The new general valuation will be implemented on 01 July 2019.

Notes to the Financial Statements

Figures in Rand	2018	2017
29. Government grants and subsidies		
Operating grants		
Equitable share	65,367,000	59,390,710
LGSETA Subsidy	92,994	-
Environmental Services Subsidy	1,575,387	1,258,422
EPWP Grant	1,005,688	994,312
FMG Grant	2,343,778	2,019,687
Library Subsidy	1,200,000	1,200,000
SMME Subsidy	183,280	88,000
Audit Improvement	1,159,488	1,004,912
Fire Subsidy	-	568,000
	72,927,615	66,524,043
Capital grants		
INEP	18,000,000	10,750,000
MIG	29,278,057	18,432,674
Small Town Revitalisation Grant	46,410,267	8,422,034
Roads Infrastructure Grant	5,901,255	-
	99,589,579	37,604,708
	172,517,194	104,128,751
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants recognised	104,098,533	41,623,619
Unconditional grants recognised	68,418,661	62,505,132
	172,517,194	104,128,751
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All indigent households receive 6 kl water and 50 kWh electricity (indigents only) free every month. All registered indigents receive a monthly subsidy of R 228 (2017: R 197), which is funded from the grant.		
MIG Grant		
Balance unspent at beginning of year	3,278,326	-
Current-year receipts	26,000,000	21,711,000
Conditions met - transferred to revenue	(29,278,057)	(18,432,674)
	269	3,278,326
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.		
Small Town Revitalisation Grant		
Balance unspent at beginning of year	54,029	54,029
Current-year receipts	46,410,268	-
Conditions met - transferred to revenue	(46,410,267)	-
	54,030	54,029

Notes to the Financial Statements

Figures in Rand 2018 2017

29. Government grants and subsidies (continued)

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

The Small Town Revitalisation Grant is allocated to municipalities to facilitate the development of strategies designed to enhance development and ensure improved economic performance, as well as poverty reduction within small towns.

Audit Improvement Grant

Balance unspent at beginning of year	5,488	-
Current-year receipts	1,154,000	1,010,400
Conditions met - transferred to revenue	(1,159,488)	(1,004,912)
	-	5,488

The Audit Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal system and improve audit opinions.

EPWP Grant

Balance unspent at beginning of year	5,688	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,005,688)	(994,312)
	-	5,688

The Expanded Public Works Programme Grant was allocated to the municipality for empowering and creating job opportunities within the communities. No funds have been withheld.

Roads Infrastructure Grant

Balance unspent at beginning of year	412,164	3,000,000
Current-year receipts	5,759,937	5,834,198
Conditions met - transferred to revenue	(5,901,255)	(8,422,034)
	270,846	412,164

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

The DPW Roads and Sarah Baart district Municipality grant was allocated to municipalities to facilitate the upgrading and retification of roads and stormwater. The funds are recieved on an ad hoc basis based on stage of completion.

FMG Grant

Balance unspent at beginning of year	-	9,673
Current-year receipts	2,345,000	2,010,000
Conditions met - transferred to revenue	(2,343,778)	(2,019,673)
	1,222	-

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

The Financial Management Grant is allocated by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG grant also pays for the cost of the Financial Management Internship Programme.

Disaster Relief Grant

Conditions met - transferred to revenue	2,090,000	-
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Notes to the Financial Statements

Figures in Rand	2018	2017
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29. Government grants and subsidies (continued)

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

The Disaster Relief Grant is allocated by National Treasury to assist with backlogs in service delivery. The funds have been ring-fenced for the drilling of boreholes in Zuney, Glenconner and Kleinport within the municipal jurisdiction. The advert has been published end May and closed in June 2018 as per standard requirement. Appointment will be made in July, therefore funds are will be committed and spent accordingly.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

30. Public contributions and donations

Donation recieved	52,942	568,532
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The donation was received in-kind from " Friends of the library" organisation. The municipality received computer equipment from to improve service within the library .

Notes to the Financial Statements

Figures in Rand	2018	2017
31. Employee related costs		
Basic	37,519,728	32,146,371
Bonus	3,097,429	2,752,787
Medical aid - company contributions	2,718,894	2,584,859
UIF	382,922	345,364
Bargaining Council	27,256	22,755
Leave pay provision charge	128,249	2,617,216
Defined contribution plans	1,119,265	249,669
Overtime payments	2,722,507	2,835,373
Acting allowances and other related service benefits	2,151,518	992,344
Car allowance	928,183	878,619
Housing benefits and allowances	-	377,250
Pension	5,850,425	4,819,670
Cellular and telephone	374,393	215,932
Stand-by allowance	56,393	634,823
	57,077,162	51,473,032

Remuneration of Municipal Manager

Annual Remuneration	790,139	748,750
Car Allowance	-	96,000
Phone Allowance	36,024	8,504
Contributions to UIF and Bargaining Levy	1,412	1,251
	827,575	854,505

The Municipal Manager was appointed and official resumed duties in October 2017 under a fixed 5 year contract term.

Remuneration of Chief Finance Officer

Annual Remuneration	841,590	879,607
Car Allowance	88,000	-
Phone Allowance	19,669	6,364
Contributions to UIF and Bargaining Levy	1,884	1,877
	951,143	887,848

Director Corporate Services

Annual Remuneration	644,243	555,351
Car Allowance	144,000	144,000
Housing Allowance	120,000	120,000
Contributions to UIF and Bargaining Levy	1,884	1,877
Leave Pay	106,271	-
Acting Allowance	23,980	70,850
Cellphone Allowance	19,669	6,364
	1,060,047	898,442

The contract for Director Corporate services expired in September 2017 and was granted an extension for a month thereafter. Director was re-appointed in the same position in November 2017.

Director Community Services

Annual Remuneration	650,418	404,285
Car Allowance	120,000	54,165
Cellphone Allowance	23,000	3,652

Notes to the Financial Statements

Figures in Rand	2018	2017
31. Employee related costs (continued)		
Contributions to UIF and Bargaining Levy	1,867	1,079
Housing Allowance	144,000	-
Acting Allowance	61,431	-
Leave Pay	-	56,833
	1,000,716	520,014

Director community services resigned during November 2016 and the director was appointed in May 2017 and both their remuneration have been disclosed on the above note

Director Community services was appointed by the council as the acting municipal manager from 1 July 2017 up to the date of the approval of the 2017 financial year annual financial statements.

Director Technical Services

Annual Remuneration	694,220	819,343
Car Allowance	52,947	-
Cellphone Allowance	14,366	6,364
Contributions to UIF and Bargaining Levy	1,884	1,877
Leave Pay	112,382	-
Acting Allowance	30,354	-
	906,153	827,584

Director technical service's contract expired end June 2017 and Manager PMU was appointed as an acting director technical services. The vacant position was filled by the acting technical services director in March 2018.

32. Remuneration of councillors

Mayor	898,809	792,729
Executive Committee Members	1,917,720	1,805,038
Speaker	695,110	637,758
Councillors	3,307,159	2,978,759
	6,818,798	6,214,284

In-kind benefits

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

Remuneration of councillors includes the total earnings for the annum plus the company contributions for the 2016 financial year

33. Depreciation and amortisation

Property, plant and equipment	27,930,074	32,012,375
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34. Finance costs

Interest on unwinding assets	1,268,075	618,155
Finance leases	193,140	-
Interest on overdue accounts	488,491	461,591
	1,949,706	1,079,746

Notes to the Financial Statements

Figures in Rand	2018	2017
34. Finance costs (continued)		
35. Debt impairment		
Debt impairment	22,123,836	22,258,378
Bad debts written off	602,111	1,161,548
	22,725,947	23,419,926
36. Bulk purchases		
Electricity	14,577,696	14,055,872
Water	5,622,747	3,164,287
	20,200,443	17,220,159
37. Contracted services		
Outsourced Services		
Environmental Health Services	18,940	33,395
Business and Advisory	11,711,990	11,342,165
Cleaning Services	1,806	-
Illegal Dumping	118,562	-
Personnel and Labour	371,823	263,576
Professional Staff	184,194	668,976
Refuse Removal	1,177,771	1,226,741
Drivers Licence Cards	279,636	263,465
Water Takers	1,447,850	3,670,193
Consultants and Professional Services		
Laboratory Services	94,790	130,597
Legal Cost	677,556	355,765
Contractors		
Catering Services	264,088	134,282
Gardening Services	16,720	1,590
Maintenance of Buildings and Facilities	428,418	93,064
Maintenance of Equipment	60,140	21,902
Maintenance of Motor Vehicles	276,838	593,978
Photographer	14,000	-
Maintenance of Water Infrastructure	175,500	-
Maintenance of Waste Infrastructure	1,081,515	112,278
Maintenance of Electricity Infrastructure	651,382	55,670
Safeguard and Security	395,847	387,009
Maintenance of Waste Water Infrastructure	1,069,730	2,866,199
	20,519,096	22,220,845

Notes to the Financial Statements

Figures in Rand	2018	2017
38. General expenses		
Advertising	283,781	406,586
Auditors remuneration	4,490,179	3,151,304
Bank charges	341,891	152,230
Commission paid	321,971	287,916
Consumables	1,296,781	1,361,215
Discount allowed	-	260,301
Entertainment	70,218	93,384
Hire	740,554	692,280
Insurance	978,589	860,779
Training	488,750	739,134
IT expenses	4,196,200	1,770,274
Motor Vehicle Expenses	87,898	85,901
Fuel and oil	759,126	892,745
Travel and Subsistence	2,419,234	1,462,454
Postage, Rail and Telephone	1,591,101	1,964,075
Printing and stationery	278,135	461,650
Communications Promotions	-	59,035
Protective clothing	191,817	174,101
Ward Committee Expenses	100,267	122,703
Skills Development Levy	576,575	507,880
Subscriptions and membership fees	47,686	584,554
Transportation cost	290,558	114,452
Electricity and Water Costs	6,867,187	3,788,917
Chemicals	2,130,841	1,903,179
	28,549,339	21,897,049

39. Auditors' remuneration

Fees	4,490,179	3,151,304
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40. Cash generated from operations

Surplus	75,542,086	13,626,475
Adjustments for:		
Depreciation and amortisation	27,930,074	32,012,375
Loss on disposal	4,571,904	487,104
Finance costs - Finance leases	193,140	-
Debt impairment	22,725,947	23,419,926
Movements in provisions	1,268,075	618,155
Inventory write-downs	(8,789)	(777)
Movements in retirement benefit liability	1,119,265	249,668
Changes in working capital:		
Inventories	71,924	(13,166)
Receivables from exchange transactions	(22,387,312)	(5,305,776)
Consumer debtors	(22,725,947)	(23,419,926)
Other receivables from non-exchange transactions	(4,341,151)	(9,266,741)
Payables from exchange transactions	14,591,330	12,810,770
VAT payable	97,906	(1,946,927)
Unspent conditional grants and receipts	(1,339,328)	691,979
Consumer deposits	7,727	49,424
	97,316,851	44,012,563

41. Financial instruments disclosure

Categories of financial instruments

Notes to the Financial Statements

Figures in Rand 2018 2017

41. Financial instruments disclosure (continued)

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	47,504,291	47,504,291
Receivables from non-exchange transactions	30,482,659	30,482,659
Cash and cash equivalents	12,584,646	12,584,646
	90,571,596	90,571,596

Financial liabilities

	At amortised cost	Total
Financial lease liabilities	2,363,841	2,363,841
Payables from exchange transactions	53,423,665	53,423,665
Payables for non-exchange transactions	6,158,418	6,158,418
Consumer deposits	63,694	63,694
	62,009,618	62,009,618

2017

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	25,116,979	25,116,979
Receivables from non-exchange transactions	26,141,233	26,141,233
Cash and cash equivalents	14,933,771	14,933,771
	66,191,983	66,191,983

Financial liabilities

	At amortised cost	Total
Financial lease obligations	884,068	884,068
Payables from exchange transactions	38,832,341	38,832,341
Payables from non-exchange transactions	7,399,840	7,399,840
Consumer deposits	55,966	55,966
	47,172,215	47,172,215

Notes to the Financial Statements

Figures in Rand	2018	2017
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	34,567,051	36,421,088
Total capital commitments		
Already contracted for but not provided for	34,567,051	36,421,088
Authorised operational expenditure		
Already contracted for but not provided for		
• Total operating commitments	12,881,696	18,823,880
Total operational commitments		
Already contracted for but not provided for	12,881,696	18,823,880
Total commitments		
Total commitments		
Authorised capital expenditure	34,567,051	36,421,088
Authorised operational expenditure	12,881,696	18,823,880
	47,448,747	55,244,968

This committed expenditure relates to various projects and will be financed by available bank facilities, unspent grants, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	448,699	697,109

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 12 months. No contingent rent is payable.

Notes to the Financial Statements

Figures in Rand	2018	2017
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43. Contingencies

The municipality is exposed to the following court cases:

Department of Water and Sanitation vs Sundays River Valley Municipality - The municipality is being sued for non-payment of invoices relating to water consumption to the value of R5 000 000. The municipality is disputing the debt and the matter has been referred to legal attorneys.

Sundays River Valley Municipality vs TSOBO - The criminal trial matter set for hearing on 30 of August 2017, the matter is not finalised. The municipality have a possible exposure of R 150 000.

Sundays River Valley Municipality vs S Mfama - Eviction with financial exposure of R 100 000

Henry Jantes vs Sundays River Valley Municipality - Interdict provisional order obtained - R 60 000

Sanparks vs Sundays River Valley Municipality - Review application against municipality and 17 other respondents - R 100 000

Mr MP Mboya vs Sundays River Valley Municipality - Civil claim for R 4 000 000 damages for the allegation of sewerage spillage on plaintiff's vegetable garden and illegal occupants erecting houses on his property.

Mandlethu Civils - Municipality is suing defendant for defective work. Management is showing the municipality's financial exposure relating to the litigation at R100 000.

Notes to the Financial Statements

Figures in Rand

2018

2017

44. Related parties

Relationships

Accounting Officer
Members of key management

Refer to accounting officer's report note
N. Ponco- Chief Financial Officer
T Machelesi- Director Corporate Services
N Mnyengeza- Director Community Services
M Nzuzo- Director Technical Services

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers / residents.

Section 57 managers

Refer to note 23 for remuneration paid to section 57 managers. No remuneration was paid to family of Section 57 Managers

Members of Council

The Councillors of the Municipality are as follows:

N G Bixa (Mayor)
N.G. Kausele (MPAC Chair)
K. Smith (Exco Member)
F. Adams (Portfolio Head - Community Services)
P R Blou (Portfolio Head - Engineering)
S H Rune (Speaker)

L E Beka
M Bosman
A Dancey
L Erasmus
N Jack
K Mbangi
Z A Tom
A Ndawo
S C Nodonti
M C Payi

Refer to note 24 for remuneration paid to councillors. No remuneration was paid to family of members of council

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions

45. Change in estimate

Property, plant and equipment

To reassess the useful life of its assets , the municipality performed a conditional assessment and the impairment for the year ended 30 June 2018 decreased by R755 288 (2017 : R2 038 897).

Depreciation for the remaining useful life of these assets is expected to be similarly affected by these changes in accounting estimates.

46. Prior period errors

Infrastructure assets

Notes to the Financial Statements

Figures in Rand

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46. Prior period errors (continued)

Infrastructure assets were restated to account for landfill site fencing which was previously not included in the asset register amounting to R30 660.

Net adjustment is R7 227.

Movable Assets

Movable assets were restated based on assets recovered during physical year end verification which did not form part of the municipal fixed asset register. Management also discover an asset which was not depreciated in the correct manner and corrected the error accordingly.

Net adjustment is R8 898

Trade and other exchange payables

Trade and other exchange payables were restated to account for transactions that had not been taken into account at year end. Management also restated due to outstanding receipts which were reported on direct deposit account instead of the main bank account. Net adjustment of R2,748,579

Bank

Bank was restated to account for omitted outstanding receipts that were previously recorded under direct deposits.

Net adjustment R49 893.20

VAT

VAT decrease is as a result of payable corrections effected. Net adjustment of R190,319

Consumer Deposit

Decrease in consumer deposits is a result of an adjustment for transaction which were not accounted for at year end.

Total adjustment is R 396

Depreciation

Increase in depreciation is due to a correction of asset depreciation and inclusion of identified assets which did not form part of the fixed assets register previously.

Net adjustment is R 3,038

Other Expenditure

Other Expenditure was adjusted due to invoices that were not previously accounted for at year end. This resulted in a corresponding increase in accruals.

Net adjustment of R 621,499

Contracted Services

Contracted services was adjusted due to invoices that were not previously accounted for at year end. This resulted in a corresponding increase in accruals. Net adjustment of R 1,177,881

Finance Cost

Finance costs was adjusted due to invoices that were not previously accounted for at year end. This resulted in a

Notes to the Financial Statements

Figures in Rand	2018	2017
46. Prior period errors (continued)		
corresponding increase in accruals. Net adjustment of R4,603		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Increase/ decrease in Infrastructure assets	-	7,227
Increase / decrease in movable assets	-	8,898
Increase /decrease in Trade and other payables	-	2,748,579
Increase/decrease in Bank and Cash	-	49,893
Increase / decrease in Vat payable	-	(190,319)
increase / decrease in consumer deposits	-	(396)
increase / decrease in accumulated surplus	-	(2,623,882)
Statement of financial performance		
Increase/ decrease in depreciation	-	3,038
Increase / decrease in other expenditure	-	621,499
Increase/decrease in contracted services	-	1,177,881
Increase/decrease in finance costs	-	(4,603)
Accumulated surplus	-	(1,797,815)
Cash flow statement		
Cash flow from operating activities		
Previously reported	-	43,962,699
Corrections	-	49,854
	-	44,012,553

47. Comparative figures

Where necessary, comparative figures were restated and reclassified to conform with the new accounting reforms applicable to municipalities in the current year (mSCOA). Reporting is now performed using the nature of the transaction to standardise all municipal accounting practices and reporting. It enforces standardisation of municipal account numbers and descriptions.

The effects of the reclassification are as follows:

Statement of Financial Performance

Item Description	Before Reclassification	Post Reclassification	Reclassification
Service charges	R 51,692,084	R35,844,737	R15,847,347
Property rates	R43,690,097	R34,163,339	R9,526,758
Interest on outstanding debtors	R10,340,714	R7,620,514	R2,720,200
Interest on property rates	R0.00	R2,720,200	R2,720,200
Employee costs	R55,908,643	R55,461,425	R447,218
Remuneration of councillors	R6,274,946	R6,214,284	R60,662
Repairs and maintenance	R3,973,892	R0.00	R3,973,892
Contracted services	R6,110,546	R22,220,845	R16,110,299
General expenditure	R37,784,045	R0.00	R37,784,045

48. Risk management

Financial risk management

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

Notes to the Financial Statements

Figures in Rand 2018 2017

48. Risk management (continued)

Liquidity risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end are noted under the respective financial assets investments, trade and other receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk

Financial instrument	2018	2017
Cash and Cash equivalents	14,883,917	7,870,107
Receivables from exchange transactions	46,563,194	25,116,979

49. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date of the financial statements other than those items already mentioned which required disclosure in the annual financial statements.

50. Unauthorised expenditure

Opening Balance	94,332,584	49,907,878
Add: Unauthorised Expenditure- current year	23,358,388	44,424,706
	117,690,972	94,332,584

2018

Unauthorised expenditure incurred in the current is a direct impact of additional grant receipts for improving service delivery backlogs from other spheres of government.

51. Fruitless and wasteful expenditure

Opening balance	3,977,437	1,515,123
Add: Fruitless and wasteful - current year	461,336	2,462,314
	4,438,773	3,977,437

Fruitless and wasteful expenditure relates to interest charged by suppliers for late payments, water and electricity losses above norm.

Notes to the Financial Statements

Figures in Rand	2018	2017
52. Irregular expenditure		
Opening balance	132,052,481	98,903,647
Add: Irregular Expenditure - current year	65,921,659	33,148,834
	197,974,140	132,052,481

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Burnt Documents	In 2013/2014 financial year the municipality disclosed R84 million as irregular expenditure. On the 22nd of September 2014 there was a community unrest which resulted in municipal offices being burnt. This left the municipality without any document to support the disclosed figures. COGTA was invited to conduct an independent investigation on the disclosed irregular expenditure but this yielded no result because of the absence of the documentary evidence. The municipality has since reviewed the irregular expenditure and excluded the R84million on the following basis: 1: The independent investigation conducted could not provide solution due to the absence of the documents. 2: Council resolution condoning the irregular in the 2017/18 financial year as irrecoverable based on COGTA investigation	84,468,249

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	572,640	500,000
Current year subscription / fee	660,932	585,030
Amount paid - current year	(660,932)	(12,390)
Amount paid - previous years	(572,640)	(500,000)
	-	572,640

Audit fees

Opening balance	667,341	4,964,175
Current year subscription / fee	5,163,743	2,789,078
Amount paid - current year	(5,094,420)	(7,085,912)
	736,664	667,341

PAYE and UIF

Opening balance	587,779	588,064
Current year subscription / fee	8,218,527	7,079,277
Amount paid - current year	(7,587,634)	(6,491,498)
Amount paid - previous years	(587,779)	(588,064)
	630,893	587,779

Notes to the Financial Statements

Figures in Rand	2018	2017
53. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Opening balance	1,063,675	1,261,975
Current year subscription / fee	13,774,387	11,642,725
Amount paid - current year	(12,606,327)	(10,547,881)
Amount paid - previous years	(1,063,675)	(1,293,144)
	1,168,060	1,063,675

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
033403319 (DANCEY ANTHONY)	1,587	36,938	38,525
009194600 (GRACE NOMBULELO HAWU)	569	3,041	3,610
045219200 (MPHIWE RUNE)	1,434	11,705	13,139
045174500 (PHINDIWE REGINA BLOU)	1,644	20,976	22,620
001016802 (P. D. & K SMITH)	103,221	57,975	161,196
001027403 (SMITH KAREN)	2,993	-	2,993
	111,448	130,635	242,083

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
033403319 (DANCEY ANTHONY)	1,286	33,762	35,048
009183400 (GRACE NOMBULELO HAWU)	497	10,534	11,031
045219200 (MPHIWE RUNE)	1,091	7,845	8,936
045174500 (PHINDIWE REGINA BLOU)	1,296	16,424	17,720
009194600(HAWU NOMBULELO GRACE)	442	1,510	1,952
001016802(P.D & K SMITH)	20,975	8,100	29,075
	25,587	78,175	103,762

Notes to the Financial Statements

Figures in Rand	2018	2017
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54. Actual operating expenditure versus budgeted operating expenditure

Material (>10 %) differences between budget and actual amounts.

Notes to the Financial Statements

Figures in Rand

2018

2017

54. Actual operating expenditure versus budgeted operating expenditure (continued)

Statement of Financial Performance:

A1

Service charges variance due to prudence principle applied during budget preparation and variations of consumption by consumers.

A2

Rental of facilities variance results from budgeted property rental billing being linked to rental of facilities and equipment .

A3

Interest received from service charges has a variance due to interest corrections made post adjustment budget entries made as a result of non-billing due to mSCOA conversions.

A4

Variance is mainly attributable to lower insurance refunds received than initially expected due to claims being rejected

A5

Variance results from lower than expected investments made during the year

A6

Variance results from a duplication of annual billing for government debtors during adjustment budget stage

A7

Variance results from lower than anticipated trading licences issued

A8

Variance is attributable to further alloactions received from other spheres which had not been included in the budget as it was populated using DORA and relevant correspondence applicable

A9

Variance results from receipt of unbudgeted donations in-kind from "Friends of the library"

A10

Less fines were issued than expected , furthermore, revenue was reduced by withdrawn and unequal payments issued by the Court.

A11

Variance in employee costs is attributable to inclusion of bonus provision, leave provision and movement in defined employee obligation mapped under employee cost for AFS presentation.

A12

Variance due to improved payment patterns and revision of the landfill site provision as more information was at hand at 30 June 2018 , which allowed for the best estimate to be used.

A13

Variance due to reduction in leased operating rentals during the year

A14

Variance is attributable to higher than anticipated debtors impairment during the year whereas budget had taken into account better implementation of credit control policies due to development of revenue enhancementt plan.

A15

Lower than anticipated invoices recognised from Department of Water Affairs as they had lodged a dispute of non-payment of arrear accounts

A16

Variance results from restrictions in tems of cashflows and better spending techniques

Notes to the Financial Statements

Figures in Rand

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54. Actual operating expenditure versus budgeted operating expenditure (continued)

A17

Variance is as a result of cash constraints

A18

Variance is attributable to unbudgeted inventory water write-downs

A19

Variance is attributable to unbudgeted asset write downs due to assets not verified at year end verification.

Statement of Financial Position

B1

Variance attributable to lower than expected purchases of inventory incomparision to previous years

B2

Variance attributable to change in billing based on database cleansing when splitting to various categories per mSCOA

B3

The variance results from additional funding received which was not included in the budget as documentation of receipt was not provided accrdingly at this stage

B4

Variance is attributable to more computer software acquisition based on implementation of EDMS system which the budget apportioned for based on prior year patterns yet invoicing is per stage of completion.

B5

Variance is attributable to not budgeting for tax payable rather tax recievables

B6

Lesser finance lease liability entered into than anticipated when compared to previous contracts

B7

Variance is a result of accruals being raised at year end.

B8

Employee benefits obligation where budgeted for under trade payables as they dont form part of A_Schedule template by Treasury

B9

Variance results is attributable to not budgeting for unspent as the municipality was to ensure all grants are spent accordingly within the planned timeframes.

B10

Variance results from best estimate measurement calculations for landfill site due to availability of information.

Notes to the Financial Statements

Figures in Rand 2018 2017

55. Deviation from supply chain management regulations

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

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

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes

Total deviations for the year amount to R1 906 408.50
 Summary of deviations per threshold is as follows:

R2 000 - R10 000	R284 858.34
R10 001 - R30 000	R612 823.60
R30 001 - R200 000	R597 373.57
Above R200 001	R411 352.99

56. Losses on water distribution

Water losses

Number of units pumped to town	4,477,834	10,222,036
Water (kl) sold to consumers	(1,677,609)	(1,303,216)
	2,800,225	8,918,820

Water losses for the financial year is 62,54%. The estimated Rand value of water losses for the current financial year at 0.173 cents per kilolitre is R 483 898 (2017: R 884 058)

57. Gains/Losses on electricity distribution

Gain on electricity distribution

Electricity units (kWh) purchased from Eskom	15,984,549	15,644,968
Electricity units (kWh) sold to consumers	(26,342,495)	(12,479,984)
	(10,357,946)	3,164,984

Electricity gain for the financial year is 64.80%. The Rand value of the electricity gain for the current financial year at R0.91 /kWh is R 9 425 731 (2017: R 2 848 486)