



# MATATIELE

LOCAL MUNICIPALITY

Annual Financial Statements  
for the year ended June 30, 2018

## General Information

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### Executive committee

Mayor	M M Mbedla
Speaker	N Mshuqwana
Chief Whip	S Mngenela
Portfolio Head: Budget and Treasury	N Ngwanyana
Portfolio Head: Economic Development	N A Nkukhu
Portfolio Head: Community Services	S Maphasa
Portfolio Head: Infrastructure Services	MC Setenane
Portfolio Head: Special Programmes	S Mzozoyana
Portfolio Head: Corporate Services	T Dyantyi
EXCO Member	K C Biggs
EXCO Member	W C Mdolomba
EXCO Member	M S Boo
Chairperson: MPAC	S Baba
Chairperson: Public Participation	M Motloli
Chairperson: Womens Caucus	N Maketela
<b>Members of the council</b>	
Member	F P Libaziso
Member	M J Mtoto
Member	N P Xaki
Member	T P Likobela
Member	S Vikwa
Member	N C Sithole
Member	P T Hloele
Member	N I Makhube
Member	C N Sambane
Member	N I Mpopo
Member	F Shale
Member	L E Nkamba
Member	X Mnconywa
Member	Z P Bono
Member	J G van Wyhe
Member	C L Nxesi
Member	H M Mdingi
Member	K E Sepuhle
Member	N N Paula
Member	T L Mohoto
Member	W K Leballo
Member	N B Nkomo
Member	P A Mohale
Member	I N Maketela
Member	L E Stuurman
Member	N R Ludidi-Mzonke
Member	N Mosebetsane
Member	N A Ganya
Member	N Njobe
Member	S N Mgolombane
Member	T C Mshuqwana-Galo
Member	T Molefe
Member	T F Mohatla
Member	T L Mothapa
Member	W B Potwana
Member	J Mabula

## General Information

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<b>Municipal Manager</b>	Dr DCT Nakin	
<b>Audit committee members</b>	T W Tsabo B Mdletshe W Mushohwe A Martinson M Nciki	<b>Chairperson</b> <b>Member</b> <b>Member</b> <b>Member</b> <b>Member</b>
<b>Grading of local authority</b>	3	
<b>Chief Finance Officer (CFO)</b>	Mr L. Ndzelu	
<b>Registered office</b>	102 Main Street Matatiele 4730	
<b>Physical address</b>	102 Main Street Matatiele 4730	
<b>Postal address</b>	P.O. Box 35 Matatiele 4730	
<b>Bankers</b>	Nedbank	
<b>Auditors</b>	Auditor General of South Africa	
<b>Tel Number</b>	039 737 8100	
<b>Fax Number</b>	039 737 3611	

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

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<b>COID</b>	Compensation for Occupational Injuries and Diseases
<b>CRR</b>	Capital Replacement Reserve
<b>DBSA</b>	Development Bank of South Africa
<b>SA GAAP</b>	South African Statements of Generally Accepted Accounting Practice
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>GAMAP</b>	Generally Accepted Municipal Accounting Practice
<b>HDF</b>	Housing Development Fund
<b>IAS</b>	International Accounting Standards
<b>IMFO</b>	Institute of Municipal Finance Officers
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ME's</b>	Municipal Entities
<b>MEC</b>	Member of the Executive Council
<b>MFMA</b>	Municipal Finance Management Act
<b>MIG</b>	Municipal Infrastructure Grant (Previously CMIP)

## **Accounting Officer's Responsibilities and Approval**

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I am responsible for the preparation of these Annual financial statements, which are set out on pages 5 to 69 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Dr DCT Nakin**  
**Accounting Officer**

**Statement of Financial Position as at June 30, 2018**

	Notes	2018 R	2017 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	973 672	669 874
Receivables from non-exchange transactions	3	45 712 945	42 762 845
VAT receivable	4	10 638 786	7 014 072
Trade receivables from exchange transactions	5	9 816 013	8 829 676
Cash and cash equivalents	6	119 893 652	71 911 652
		<b>187 035 068</b>	<b>131 188 119</b>
<b>Non-Current Assets</b>			
Investment property	7	20 457 400	20 457 400
Property, plant and equipment	8	917 882 147	798 109 882
Intangible assets	9	2 489 998	2 513 008
		<b>940 829 545</b>	<b>821 080 290</b>
<b>Total Assets</b>		<b>1 127 864 613</b>	<b>952 268 409</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	54 439 147	37 765 003
Consumer deposits	11	290 842	282 166
Unspent conditional grants and receipts	12	9 825 683	2 176 826
Provisions	13	1 473 880	1 184 832
		<b>66 029 552</b>	<b>41 408 827</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	14	11 682 447	10 492 844
Provisions	13	15 367 195	14 556 051
Payables from exchange transactions	15	55 065	213 438
		<b>27 104 707</b>	<b>25 262 333</b>
<b>Total Liabilities</b>		<b>93 134 259</b>	<b>66 671 160</b>
<b>Net Assets</b>		<b>1 034 730 358</b>	<b>885 597 250</b>
Reserves			
Revaluation reserve	16	166 779 376	87 085 310
Accumulated surplus		867 950 983	798 511 936
<b>Total Net Assets</b>		<b>1 034 730 358</b>	<b>885 597 250</b>

\* See Note 53 &amp; 52

**Statement of Financial Performance for the period ending 30 June 2018**

	Notes	2018 R	2017 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	57 944 653	56 290 308
Rental of facilities and equipment	19	955 607	732 202
Licences and permits	20	3 598 251	3 793 345
Other income	21	1 444 456	7 045 966
Interest received	22	18 286 896	14 266 232
<b>Total revenue from exchange transactions</b>		<b>82 229 863</b>	<b>82 128 053</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	25 727 287	25 919 327
<b>Transfer revenue</b>			
Government grants & subsidies	24	323 009 805	314 602 823
Public contributions and donations	25	-	39 000
Fine receipts	26	959 105	802 152
<b>Total revenue from non-exchange transactions</b>		<b>349 696 197</b>	<b>341 363 302</b>
<b>Total revenue</b>	17	<b>431 926 060</b>	<b>423 491 355</b>
<b>Expenditure</b>			
Employee related costs	27	(101 343 388)	(86 285 964)
Remuneration of councillors	28	(18 636 392)	(16 987 291)
Remuneration of traditional leaders	29	(452 458)	(432 670)
Landfill site provision contribution	13	(493 872)	(597 165)
Depreciation and amortisation	30	(31 771 107)	(31 882 922)
Impairment loss/ Reversal of impairments	31	(19 673 618)	-
Finance costs	32	(7 605)	(42 009)
Debt Impairment	33	(366 032)	(1 193 598)
Material and stores	35	(4 546 752)	(2 182 374)
Bulk purchases	35	(37 197 201)	(36 713 653)
Contracted services	36	(68 204 605)	(64 700 263)
Operating/ General Expenses	37	(33 862 443)	(41 897 211)
<b>Total expenditure</b>		<b>(316 555 473)</b>	<b>(282 915 120)</b>
<b>Operating surplus</b>		<b>115 370 587</b>	<b>140 576 235</b>
Loss on disposal of assets and liabilities		(45 938 436)	(208 252)
<b>Surplus for the year</b>		<b>69 432 151</b>	<b>140 367 983</b>

\* See Note 53 &amp; 52

## Statement of Changes in Net Assets for the period ending 30 June 2018

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	92 755 710	647 958 779	740 714 489
Adjustments			
Correction of errors	-	7 305 112	7 305 112
<b>Balance at July 1, 2016 as restated*</b>	<b>92 755 710</b>	<b>655 263 891</b>	<b>748 019 601</b>
Changes in net assets			
Surplus for the year	-	140 367 983	140 367 983
Write off of stale cheques	-	45 958	45 958
Transfer from Revaluation to Accumulated Surplus	(2 834 104)	2 834 104	-
<b>Total changes</b>	<b>(2 834 104)</b>	<b>143 248 045</b>	<b>140 413 941</b>
<b>Restated* Balance at July 1, 2017</b>	<b>87 085 310</b>	<b>798 511 935</b>	<b>885 597 245</b>
Changes in net assets			
Revaluation of PPE	79 694 066	-	79 694 066
Net income (losses) recognised directly in net assets	79 694 066	-	79 694 066
Surplus for the year	-	69 432 151	69 432 151
Total recognised income and expenses for the year	79 694 066	69 432 151	149 126 217
Write off of stale cheques	-	6 897	6 897
Total changes	79 694 066	69 439 048	149 133 114
<b>Balance at June 30, 2018</b>	<b>166 779 376</b>	<b>867 950 983</b>	<b>1 034 730 359</b>
Note(s)	16		

\* See Note 53 & 52



## Cash Flow Statement for the period ended 30 June 2018

	Note(s)	2018 R	2017 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fine receipts		1 164 605	2 251 410
Sale of goods and services		74 610 157	69 331 092
Grants		330 658 661	312 926 034
Interest income		18 286 896	14 266 232
Other receipts		6 929 770	7 284 088
		<u>431 650 089</u>	<u>406 058 856</u>
<b>Payments</b>			
Employee costs		(118 636 314)	(100 984 123)
Suppliers		(127 427 446)	(131 078 550)
Finance costs		(7 605)	(33 668)
Other payments		-	(16 896 571)
		<u>(246 071 365)</u>	<u>(248 992 912)</u>
<b>Net cash flows from operating activities</b>	38	<b><u>185 578 724</u></b>	<b><u>157 065 944</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(137 409 347)	(137 206 940)
Proceeds from sale of property, plant and equipment	8	-	823 384
Proceeds from sale of investment property	7	-	375 000
Purchase of other intangible assets	9	(29 000)	(2 741 200)
Cash receipt for recovery of expenditure on work in progress		-	5 106 356
<b>Net cash flows from investing activities</b>		<b><u>(137 438 347)</u></b>	<b><u>(133 643 400)</u></b>
<b>Cash flows from financing activities</b>			
Movement in payables from exchange transactions		(158 372)	213 438
Finance lease payments		-	(8 341)
<b>Net cash flows from financing activities</b>		<b><u>(158 372)</u></b>	<b><u>205 097</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>47 982 005</b>	<b>23 627 641</b>
Cash and cash equivalents at the beginning of the year		71 911 652	48 284 011
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>119 893 657</u></b>	<b><u>71 911 652</u></b>

\* See Note 53 & 52

**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
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	55 899 385	553 364	<b>56 452 749</b>	57 944 653	<b>1 491 904</b>	
Rental of facilities and equipment	773 876	201 556	<b>975 432</b>	955 607	<b>(19 825)</b>	
Licences and permits	2 800 000	10 592	<b>2 810 592</b>	3 598 251	<b>787 659</b>	
Other income	1 888 514	(358 834)	<b>1 529 680</b>	1 444 456	<b>(85 224)</b>	
Interest received - investment	12 527 938	(174 568)	<b>12 353 370</b>	18 286 896	<b>5 933 526</b>	
<b>Total revenue from exchange transactions</b>	<b>73 889 713</b>	<b>232 110</b>	<b>74 121 823</b>	<b>82 229 863</b>	<b>8 108 040</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	52 204 073	-	<b>52 204 073</b>	25 727 287	<b>(26 476 786)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	364 220 680	6 804 630	<b>371 025 310</b>	323 009 805	<b>(48 015 505)</b>	
Fine receipts	1 500 302	77 614	<b>1 577 916</b>	959 105	<b>(618 811)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>417 925 055</b>	<b>6 882 244</b>	<b>424 807 299</b>	<b>349 696 197</b>	<b>(75 111 102)</b>	
<b>Total revenue</b>	<b>491 814 768</b>	<b>7 114 354</b>	<b>498 929 122</b>	<b>431 926 060</b>	<b>(67 003 062)</b>	
<b>Expenditure</b>						
Employee related costs	(105 526 044)	2 530 000	<b>(102 996 044)</b>	(101 343 388)	<b>1 652 656</b>	
Remuneration of councillors	(17 503 728)	(1 300 000)	<b>(18 803 728)</b>	(18 636 392)	<b>167 336</b>	
Remuneration of traditional leaders	(457 000)	-	<b>(457 000)</b>	(452 458)	<b>4 542</b>	
Landfill site provision contribution	(500 000)	-	<b>(500 000)</b>	(493 872)	<b>6 128</b>	
Depreciation and amortisation	(14 222 084)	(20 145 012)	<b>(34 367 096)</b>	31 771 107	<b>66 138 203</b>	
Impairment loss/ Reversal of impairments	(5 000 000)	5 000 000	-	(19 673 618)	<b>(19 673 618)</b>	
Finance costs	-	-	-	(7 605)	<b>(7 605)</b>	
Debt Impairment	-	-	-	(366 032)	<b>(366 032)</b>	
Collection costs	(7 971 006)	2 167 253	<b>(5 803 753)</b>	(4 546 752)	<b>1 257 001</b>	
Bulk purchases	(43 010 000)	4 649 996	<b>(38 360 004)</b>	(37 197 201)	<b>1 162 803</b>	
Contracted Services	(75 628 416)	1 664 784	<b>(73 963 632)</b>	(68 204 605)	<b>5 759 027</b>	
Transfers and Subsidies	(820 000)	557 004	<b>(262 996)</b>	-	<b>262 996</b>	
General Expenses	(50 437 396)	3 249 575	<b>(47 187 821)</b>	(97 404 657)	<b>(50 216 836)</b>	
<b>Total expenditure</b>	<b>(321 075 674)</b>	<b>(1 626 400)</b>	<b>(322 702 074)</b>	<b>(316 555 473)</b>	<b>6 146 601</b>	
<b>Operating surplus</b>	<b>170 739 094</b>	<b>5 487 954</b>	<b>176 227 048</b>	<b>115 370 587</b>	<b>(60 856 461)</b>	
Loss on disposal of assets and liabilities	-	-	-	(45 938 436)	<b>(45 938 436)</b>	
<b>Surplus before taxation</b>	<b>170 739 094</b>	<b>5 487 954</b>	<b>176 227 048</b>	<b>69 432 151</b>	<b>(106 794 897)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>170 739 094</b>	<b>5 487 954</b>	<b>176 227 048</b>	<b>69 432 151</b>	<b>(106 794 897)</b>	

**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
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	965 648	-	<b>965 648</b>	973 672	<b>8 024</b>	
Receivables from non-exchange transactions	12 317 446	-	<b>12 317 446</b>	45 712 945	<b>33 395 499</b>	
VAT receivable	-	-	-	10 638 786	<b>10 638 786</b>	
Consumer debtors	12 299 368	-	<b>12 299 368</b>	9 816 013	<b>(2 483 355)</b>	
Cash and cash equivalents	40 230 145	-	<b>40 230 145</b>	119 893 652	<b>79 663 507</b>	
	<b>65 812 607</b>	-	<b>65 812 607</b>	<b>187 035 068</b>	<b>121 222 461</b>	
<b>Non-Current Assets</b>						
Investment property	21 614 400	-	<b>21 614 400</b>	20 457 400	<b>(1 157 000)</b>	
Property, plant and equipment	846 456 901	-	<b>846 456 901</b>	917 882 144	<b>71 425 243</b>	
Intangible assets	420 740	-	<b>420 740</b>	2 489 998	<b>2 069 258</b>	
	<b>868 492 041</b>	-	<b>868 492 041</b>	<b>940 829 542</b>	<b>72 337 501</b>	
<b>Total Assets</b>	<b>934 304 648</b>	-	<b>934 304 648</b>	<b>1 127 864 610</b>	<b>193 559 962</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	35 652 451	-	<b>35 652 451</b>	54 439 138	<b>18 786 687</b>	
Consumer deposits	379 083	-	<b>379 083</b>	290 842	<b>(88 241)</b>	
Unspent conditional grants and receipts	-	-	-	9 825 683	<b>9 825 683</b>	
Provisions	1 178 595	-	<b>1 178 595</b>	1 473 880	<b>295 285</b>	
	<b>37 210 129</b>	-	<b>37 210 129</b>	<b>66 029 543</b>	<b>28 819 414</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	12 000 000	-	<b>12 000 000</b>	11 682 447	<b>(317 553)</b>	
Provisions	13 664 295	-	<b>13 664 295</b>	15 367 195	<b>1 702 900</b>	
Payables from exchange transactions	-	-	-	55 065	<b>55 065</b>	
	<b>25 664 295</b>	-	<b>25 664 295</b>	<b>27 104 707</b>	<b>1 440 412</b>	
<b>Total Liabilities</b>	<b>62 874 424</b>	-	<b>62 874 424</b>	<b>93 134 250</b>	<b>30 259 826</b>	
<b>Net Assets</b>	<b>871 430 224</b>	-	<b>871 430 224</b>	<b>1 034 730 360</b>	<b>163 300 136</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	85 919 000	-	<b>85 919 000</b>	167 692 816	<b>81 773 816</b>	
Accumulated surplus	785 511 224	-	<b>785 511 224</b>	867 037 544	<b>81 526 320</b>	
<b>Total Net Assets</b>	<b>871 430 224</b>	-	<b>871 430 224</b>	<b>1 034 730 360</b>	<b>163 300 136</b>	

**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
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	106 525 542	-	<b>106 525 542</b>	74 610 157	<b>(31 915 385)</b>	
Grants	330 736 000	-	<b>330 736 000</b>	330 658 661	<b>(77 339)</b>	
Interest income	12 527 938	-	<b>12 527 938</b>	18 286 895	<b>5 758 957</b>	
Other receipts	6 962 390	-	<b>6 962 390</b>	6 929 770	<b>(32 620)</b>	
Fines	1 577 916	-	<b>1 577 916</b>	1 164 605	<b>(413 311)</b>	
	<b>458 329 786</b>	-	<b>458 329 786</b>	<b>431 650 088</b>	<b>(26 679 698)</b>	
<b>Payments</b>						
Employee costs	(114 344 998)	-	<b>(114 344 998)</b>	(118 636 314)	<b>(4 291 316)</b>	
Suppliers	(126 988 078)	(26 005 072)	<b>(152 993 150)</b>	(127 161 014)	<b>25 832 136</b>	
Other payments	(820 000)	-	<b>(820 000)</b>	(7 605)	<b>812 395</b>	
	<b>(242 153 076)</b>	<b>(26 005 072)</b>	<b>(268 158 148)</b>	<b>(245 804 933)</b>	<b>22 353 215</b>	
<b>Net cash flows from operating activities</b>	<b>216 176 710</b>	<b>(26 005 072)</b>	<b>190 171 638</b>	<b>185 845 155</b>	<b>(4 326 483)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(170 708 280)	(5 517 360)	<b>(176 225 640)</b>	(137 704 782)	<b>38 520 858</b>	
<b>Cash flows from financing activities</b>						
Movement in payables from non-exchange transactions	-	-	-	(158 372)	<b>(158 372)</b>	
Net increase/(decrease) in cash and cash equivalents	45 468 430	(31 522 432)	<b>13 945 998</b>	47 982 001	<b>34 036 003</b>	
Cash and cash equivalents at the beginning of the year	-	-	-	71 911 652	<b>71 911 652</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>45 468 430</b>	<b>(31 522 432)</b>	<b>13 945 998</b>	<b>119 893 653</b>	<b>105 947 655</b>	
<b>Reconciliation</b>						

## **Accounting Policies for the period ended 30 June 2018**

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### **1. Presentation of Annual Financial Statements**

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

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.

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

#### **1.1 Presentation currency**

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

## **Accounting Policies for the period ended 30 June 2018**

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### **1.2 Going concern assumption**

## **Accounting Policies for the period ended 30 June 2018**

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### **1.2 Going concern assumption (continued)**

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

#### **1.2.1 Comparative Information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

##### **1.2.1.1 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification**

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017.

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

- a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and
- b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

#### **1.2.2 Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards and Interpretations have been issued but are not yet effective and have not been early adopted by the municipality.

GRAP 20 Related Party Disclosures

GRAP 32 Service Concession Arrangements: Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-living resources

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

Adoption of these standards will have no material impact on future financial periods.

The following GRAP standard has been approved but is not required to be applied:

GRAP 18 Segment Reporting

## **Accounting Policies for the period ended 30 June 2018**

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### **1.2 Going concern assumption (continued)**

#### **Critical judgments, estimations and assumptions**

In preparing the annual financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, as well as land with no determinable future use:

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.

#### **Subsequent measurement**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### **1.4 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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



## **Accounting Policies for the period ended 30 June 2018**

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### **1.4 Property, plant and equipment (continued)**

The residual value of property, plant and equipment has been determined using historical data and market conditions. A base level of 20 percent is applied except where specific assets are deemed to vary significantly from this estimate.

#### **SUBSEQUENT MEASUREMENT**

The following categories of Property, plant and equipment are carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses:

- Land and Buildings
- Infrastructure
- Community Assets

The following categories of Property, plant and equipment are carried on the cost model, being the cost less accumulated depreciation and any impairment losses:

- Other property, plant and equipment
- Capital under construction.

Capital under construction is not depreciated as the asset has not been brought into use yet. Land is not depreciated as it is deemed to have an indefinite useful life.

Revaluations are made every 5 years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### **DEPRECIATION**

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

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost or revalued amount, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year end:

## Accounting Policies for the period ended 30 June 2018

### 1.4 Property, plant and equipment (continued)

<b>Infrastructure:</b>	<b>Years</b>	<b>Community:</b>	<b>Years</b>	<b>Other:</b>	<b>Years</b>
Roads and Paving	10-30	Improvements	25-30	Buildings	30
Electricity	20-30	Recreational facilities	15-20	Specialist vehicles	10
Water	15-20	Security	03-05	Other vehicles	05-10
Sewerage	15-20	<b>Components:</b>		Office equipment	03-07
Landfill Sites	10-65	Doors & Iron	08-15	Furniture and fittings	07-10
Housing	30	Doors & Iron(extensive)	15-30	Watercraft	15
Pedestrian Malls	20	Fittings	05-15	Bins and containers	05-10
		Fittings and fixtures	15-30	Specialised equipment	10-15
		Windows & glazing	08-15	Other plant and equip	02-15
		Windows & glazing (extensive)	15-30	External wall	20-30
		External roof structure/covering	15-35	Floor structure	20-40
		Floor finish	05-15	Wall painting	05-10
		Wall structure (internal)	20-50	Drainage	10-30
		Electrical	10-30	Plumbing	10-30

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

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

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

### 1.5 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

## **Accounting Policies for the period ended 30 June 2018**

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### **1.5 Intangible assets (continued)**

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

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

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

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

Computer software, other	3-5 years
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### **SUBSEQUENT MEASUREMENT**

Intangible assets are subsequently measured at cost less accumulated amortisation

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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised

### **1.6 Financial instruments**

#### **Initial recognition and measurement**

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. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

## **Accounting Policies for the period ended 30 June 2018**

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### **1.6 Financial instruments (continued)**

#### **Subsequent measurement**

Financial instruments are classified as financial instruments at fair value through profit or loss where the financial instrument is either held for trading (including derivative instruments) or is designated as at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

#### **Trade Receivables**

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets set out in policy note 1.9. Items with extended terms are initially recorded at the present value of future cash flows and interest received is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents includes investments from call accounts which are held on a 30 day notice and can be received anytime the municipality wishes to utilize the funds. These investments are measured at fair value.

Cash and cash equivalents are measured at fair value.

#### **Financial Liabilities**

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Items with extended terms are initially recorded at the present value of future cash flows.

#### **Trade Payables**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost

### **1.7 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.

#### **Operating leases - lessor**

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

### **1.8 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.

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

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

## **Accounting Policies for the period ended 30 June 2018**

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### **1.9 Impairment of assets**

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash generating assets), the asset is considered impaired & is written down to its recoverable amount or recoverable service amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the profit or loss.

### **1.10 Derecognition of assets and liabilities**

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

### **1.11 Employee costs**

These are all costs paid by an employer in exchange for services rendered by an employee. These include employee benefits such as salaries, bonuses, housing allowance, medical and other contributions, which are recognised in the income statement during the period in which the employee renders the related service. Detailed policies can also be noted under the Employee Benefits note.

### **1.12 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

## **Accounting Policies for the period ended 30 June 2018**

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### **1.12 Employee benefits (continued)**

#### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

All Actuarial gains and losses are recognised immediately in surplus or deficit when they occur.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

### **1.13 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.

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

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

### **1.14 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

#### **Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Accounting Policies for the period ended 30 June 2018**

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### **1.14 Revenue from exchange transactions (continued)**

#### **Measurement**

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the entity. Fair value is the amount for which an asset could be exchanged, or a liability, between knowledgeable, willing parties in an arm's length transaction.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **1.15 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from 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 virtually certain.

## **Accounting Policies for the period ended 30 June 2018**

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### **1.15 Revenue from non-exchange transactions (continued)**

#### **Government grants**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### **Unspent conditional grants**

For all conditional grants, a corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. The unspent conditional grant liability is disclosed in the Statement of Financial Position.

### **1.16 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.

### **1.17 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.

### **1.18 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 is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.19 Change in Accounting Policies, Estimates and Errors**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the changes in estimates are disclosed in the notes to the financial statements where applicable.

### **1.20 Prepayments**

The amount is not taken to profit or loss and other comprehensive income as an expense but disclosed as a current asset in the statement of financial position. The expense is only raised when it is incurred.

### **1.21 Accumulated Surplus**

Included in the accumulated surplus is the previous years profits as well as the effects of changes in accounting policies and correction of errors



## **Accounting Policies for the period ended 30 June 2018**

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### **1.22 iGRAP 1 - Probability of revenue**

#### **Initial Recognition**

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured.

#### **Subsequent measurement**

Subsequently, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate

### **1.23 VAT**

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

### **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.

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2017 to 6/30/2018.

### **1.25 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **1.26 Commitments**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments. Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

### **1.27 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

## **Accounting Policies for the period ended 30 June 2018**

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### **1.27 Housing development fund (continued)**

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### **1.28 Revaluation reserve**

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### **1.29 Deferred revenue**

The calculation is done on the week commencing 15 June with the assumption that the electricity purchased in the first and second week of the month will be consumed of the financial year.

An average tariff has been applied for domestic as the municipality is on stepped tariff.

The average daily consumption is over 30,417 days for the financial year.

The indegent is not deferred

### **1.30 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.

### **1.31 Investment income**

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

### **1.32 Comparative figures**

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

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>2. Inventories</b>		
Consumable stores	971 003	667 205
Medallions - at cost	2 669	2 669
	<b>973 672</b>	<b>669 874</b>

Inventories are held for own use with the result that no write downs of inventory to net realisable value were required.

**3. Receivables from non-exchange transactions**

Rates from non exchange transactions	57 400 963	56 540 516
Sundry Debtors	11 000 603	10 773 857
Interest accrued from investments	300 985	319 845
Traffic Fines Debtor	2 628 878	2 410 613
Inkamva- Council Chambers (Debtor)	780 622	780 622
Electricity Sales Debtor	5 273 882	-
Sundry debtors control	250 580	366 415
Provision for Impairment	(31 923 568)	(28 429 023)
	<b>45 712 945</b>	<b>42 762 845</b>

**4. VAT receivable**

VAT	10 638 786	7 014 072
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VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.

**5. Trade receivables from exchange transactions****Gross balances**

Electricity from exchange transactions	3 746 652	7 720 760
Refuse from exchange transactions	14 082 328	12 250 398
	<b>17 828 980</b>	<b>19 971 158</b>

**Less: Allowance for impairment**

Electricity from exchange transactions	(1 683 877)	(1 904 111)
Refuse from exchange transactions	(6 329 090)	(9 237 369)
	<b>(8 012 967)</b>	<b>(11 141 480)</b>

**Net balance**

Electricity from exchange transactions	2 062 775	5 816 649
Refuse from exchange transactions	7 753 238	3 013 029
	<b>9 816 013</b>	<b>8 829 678</b>

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>5. Trade receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	3 002 353	3 307 313
31 - 60 days	242 272	1 590 339
61 - 90 days	80 329	267 275
91 - 120 days	29 263	197 884
121 - 365 days	92 765	402 053
> 365 days	299 669	1 955 896
	<b>3 746 652</b>	<b>7 720 760</b>
<b>Refuse</b>		
Current (0 -30 days)	1 149 725	657 427
31 - 60 days	275 929	416 640
61 - 90 days	261 435	247 374
91 - 120 days	237 845	210 310
121 - 365 days	1 352 531	1 562 560
> 365 days	14 283 384	9 156 097
	<b>17 560 848</b>	<b>12 250 408</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	467 606	583 755
31 - 60 days	353 155	478 719
61 - 90 days	241 205	304 368
91 - 120 days	237 858	265 607
121 - 365 days	1 508 012	3 346 599
> 365 days	10 453 154	8 978 691
	13 260 990	13 957 739
Less: Allowance for impairment	(10 757 611)	(9 853 522)
	<b>2 503 379</b>	<b>4 104 217</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2 348 540	2 218 277
31 - 60 days	181 225	898 354
61 - 90 days	78 204	183 560
91 - 120 days	31 340	91 795
121 - 365 days	108 966	371 201
> 365 days	612 343	676 321
	3 360 618	4 439 508
Less: Allowance for impairment	(1 428 259)	(1 461 979)
	<b>1 932 359</b>	<b>2 977 529</b>
<b>National and provincial government</b>		
Current (0 -30 days)	615 678	75 116
31 - 60 days	185 873	57 167
61 - 90 days	198 792	75 150
91 - 120 days	72 566	100 836
121 - 365 days	95 427	563 454
> 365 days	38 914	702 122
	<b>1 207 250</b>	<b>1 573 845</b>

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>5. Trade receivables from exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(11 141 480)	(10 260 238)
Contributions to allowance	3 128 513	(881 242)
	<b>(8 012 967)</b>	<b>(11 141 480)</b>

### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired.

As of June 30, 2018, consumer debtors of R 1,048,745 (2017: 4,281,619) were past due but not impaired.

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

1 month past due	456 033	2 318 876
2 months past due	352 234	1 166 953
3 months past due	240 478	795 790

### Consumer debtors impaired

As of June 30, 2018, consumer debtors of R 12,185,870 ( 2017: R 11,315,502) were impaired and provided for.

The amount of the provision was R 12,185,870 (2017: R 11,315,502)) as of June 30, 2018 .

The ageing of these debtors is as follows:

3 to 6 months	663 362	707 219
Over 6 months	11 522 508	10 608 283

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 250	1 250
Bank balances	3 411 063	3 844 404
Short-term deposits	116 481 339	68 065 998
	<b>119 893 652</b>	<b>71 911 652</b>

Short-term deposits represent investments held at various financial institutions. An investment register detailing these accounts is available at the municipal offices.

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R			2017 R		
<b>6. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2018	June 30, 2017	June 30, 2016
Nedbank - Current Account (Main) - 1011292106	2 492 318	4 508 059	8 156 953	(1 074 584)	3 140 400	5 742 709
Standard Bank - Current Account - 060435224	416 287	208 863	155 231	416 287	208 863	155 231
First National Bank - Current Account - 62108495187	4 195 903	621 687	317 284	4 195 903	621 687	317 284
Standard Bank - Call Account 68600704/001	58 205 143	17 155 059	7 855 059	58 205 143	17 155 059	7 855 059
Standard Bank - 60 Day Notice Account - 68600704/002	9 854 268	9 360 589	8 865 185	9 854 268	9 360 589	8 865 185
First National Bank - Money Market - 62108496573	6 806 096	6 106 382	6 108 042	6 806 096	6 106 382	6 108 042
Nedbank - Call Account 03/7881006129/000004	12 915 529	15 918 256	12 215 456	12 915 529	15 918 256	12 215 456
Nedbank - Call Account 03/7881096624/000001	4 844 897	2 346 547	1 000	4 844 897	2 346 546	1 000
Nedbank - Call Account 03/7881120797/000001	4 657 088	920 762	1 000	4 657 088	920 762	1 000
Nedbank - 32 day Notice 03/7881006129/000006	5 387 068	5 024 371	4 700 000	5 387 068	5 024 370	4 700 000
First National Bank - Money Market - 62175310045	173 154	164 564	164 639	173 154	164 564	164 639
First National Bank - Money Market - 62215611121	1 760 739	1 673 386	1 673 405	1 760 739	1 673 386	1 673 405
First National Bank - Money Market - 62286478906	535 951	509 362	610 294	535 951	509 362	610 294
Nedbank - Call Account 03/7881127902	6 124 556	3 242 698	-	6 124 556	3 242 698	-
Nedbank - Call Account 03/7881134496/000001	47 029	1 000 000	-	47 029	1 000 000	-
Nedbank - Call Account 03/7881134550	4 933 936	4 644 022	-	4 933 936	4 644 022	-
NEDBANK ELECTRIFICATION- 03/7881140356	235 886	-	-	235 886	-	-
<b>Total</b>	<b>123 585 848</b>	<b>73 404 607</b>	<b>50 823 548</b>	<b>120 018 946</b>	<b>72 036 946</b>	<b>48 409 304</b>

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R			2017 R		
<b>7. Investment property</b>						
	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 457 400	-	20 457 400	20 457 400	-	20 457 400

### Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	20 457 400	20 457 400

### Reconciliation of investment property - 2017

	Opening balance	Disposals	Correction of error	Total
Investment property	22 281 400	(246 500)	(1 577 500)	20 457 400

The Municipality had duplicate properties held within the Investment Property register and financial records. This has been corrected in the previous financial year. Refer to note 49 for the correction relating to prior years.

All of the municipality's investment properties are held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality and are held for capital appreciation.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

A register of Investment property is available at the municipal offices.

The effective date of revaluations was 1 July 2013.

The valuation was performed using data based on arms length transactions and related market evidence.

This was done by an independent and professional valuer with the Registration Number 3550/09 by the name of Kwasi Agyabon Boateng who has a Bsc Honours in Land Economy.

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

<b>Rental revenue from investment property</b>	R 874,985	R 710,213
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## Notes to the Financial Statements for the period ended 30 June 2018

	2018			2017		
	R			R		
<b>8. Property, plant and equipment</b>						
	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 157 142	-	18 157 142	18 157 142	-	18 157 142
Buildings	64 428 127	(7 881 022)	56 547 105	62 987 791	(6 654 976)	56 332 815
Infrastructure	460 960 427	(4 153 714)	456 806 713	503 207 207	(113 202 360)	390 004 847
Community	134 106 013	(52 772 100)	81 333 913	122 428 753	(32 117 435)	90 311 318
Other property, plant and equipment	60 818 722	(25 082 248)	35 736 474	59 533 044	(21 609 663)	37 923 381
Capital under construction	269 300 800	-	269 300 800	205 380 377	-	205 380 377
<b>Total</b>	<b>1 007 771 231</b>	<b>(89 889 084)</b>	<b>917 882 147</b>	<b>971 694 314</b>	<b>(173 584 434)</b>	<b>798 109 880</b>



**Notes to the Financial Statements for the period ended 30 June 2018**

Figures in Rand

**8. Property, plant and equipment (continued)****Reconciliation of property, plant and equipment - 2018**

	Opening balance	Additions	Disposals / Transfers to other institutions	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	18 157 142	-	-	-	-	-	-	18 157 142
Buildings	56 332 815	-	-	1 440 336	-	(1 226 046)	-	56 547 105
Infrastructure	390 004 847	65 000	(45 934 178)	58 999 362	79 694 066	(21 868 672)	(4 153 712)	456 806 713
Community	90 311 318	-	-	11 677 261	-	(5 134 761)	(15 519 905)	81 333 913
Other property, plant and equipment	37 923 382	1 306 965	(4 258)	-	-	(3 489 617)	-	35 736 472
Capital under construction	205 380 377	136 037 382	-	(72 116 959)	-	-	-	269 300 800
	<b>798 109 881</b>	<b>137 409 347</b>	<b>(45 938 436)</b>	<b>-</b>	<b>79 694 066</b>	<b>(31 719 096)</b>	<b>(19 673 617)</b>	<b>917 882 145</b>

**Reconciliation of property, plant and equipment - 2017**

	Opening balance	Additions	Disposals	Transfers	Loss on construction contracts	Depreciation	Total
Land	18 157 142	-	-	-	-	-	18 157 142
Buildings	55 797 530	1 063 980	-	689 598	-	(1 218 293)	56 332 815
Infrastructure	322 139 970	4 425 749	-	84 793 176	-	(21 354 047)	390 004 848
Community	79 972 587	885 087	(96 518)	14 636 587	-	(5 086 425)	90 311 318
Other property, plant and equipment	36 728 755	4 975 808	(1 063 618)	1 760 058	-	(4 477 622)	37 923 381
Capital under construction	186 509 835	125 856 317	-	(101 879 419)	(5 106 356)	-	205 380 377
	<b>699 305 819</b>	<b>137 206 941</b>	<b>(1 160 136)</b>	<b>-</b>	<b>(5 106 356)</b>	<b>(32 136 387)</b>	<b>798 109 881</b>

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
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**8. Property, plant and equipment (continued)****Revaluations**

The revaluation of infrastructure assets has been completed using the depreciated replacement cost method in accordance with GRAP 17. The revaluation was carried out by Sondlo Chartered Accountants through a team which included a Civil Engineer, Electrical Engineer and a Chartered Accountant.

Land and Community assets are re-valued independently every 5 years.

**Reconciliation of Work-in-Progress 2018**

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Additions/capital expenditure	204 656 942	41 852 489	27 849 632	274 359 063

**Reconciliation of Work-in-Progress 2017**

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Additions/capital expenditure	155 088 815	19 489 659	30 187 928	204 766 402

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

**9. Intangible assets**

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 994 883	(1 504 885)	2 489 998	3 965 883	(1 452 875)	2 513 008

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
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### 9. Intangible assets (continued)

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	2 513 008	29 000	(52 010)	2 489 998

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	420 740	2 741 200	(648 932)	2 513 008

### Other information

There is a register containing the information required by Section 63 of the MFMA which is available for inspection at the registered office of the Municipality.

In assessing the useful life of the Corview software, we have considered various relevant factors including the nature of the Software, the potential for software upgrade, the use of the asset and ultimately the expectation of receiving service potential of the asset.

Due to the above factors, there is no foreseeable limit to the expected service potential of the Corview software and as such the Corview intangible asset is deemed to have an indefinite useful life.

### 10. Payables from exchange transactions

Accrued audit fees	(4)	(1)
Bonus accrual	1 705 025	1 592 777
Income received in advance	4 089 934	3 426 114
Leave pay accrual	7 704 536	6 523 698
Other creditors	2 933 984	2 866 805
Trade payables	38 005 672	23 355 610
	<b>54 439 147</b>	<b>37 765 003</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. 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 financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Income received in advance is due to payments received for hall hire and prepaid electricity

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.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

Bonus accrual is calculated on a 13th cheque attributable to all staff.

### 11. Consumer deposits

Electricity	290 842	282 166
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**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Establishment Plan	63 798	63 798
Grant-MIG	4 030 700	-
Grant- IDP Fund	59 683	68 145
LED projects	506 536	506 536
Library upgrade	1 013 100	1 071 959
National electrification programme	3 888 605	-
Other grants	219 396	422 523
Spatial development	43 865	43 865
	<b>9 825 683</b>	<b>2 176 826</b>

Refer to note 25 for reconciliation of grants and receipts.

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**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R		
<b>13. Provisions</b>				
<b>Reconciliation of provisions - 2018</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Total</b>	
Environmental rehabilitation	11 949 197	493 872	12 443 069	
Provision for long service award	2 996 441	590 334	3 586 775	
Performance bonus	795 245	15 986	811 231	
	<b>15 740 883</b>	<b>1 100 192</b>	<b>16 841 075</b>	
<b>Reconciliation of provisions - 2017</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Change in discount factor</b>	<b>Total</b>
Environmental rehabilitation	11 352 032	-	597 165	11 949 197
Provision for long service award	2 690 443	305 998	-	2 996 441
Performance bonus	789 008	6 237	-	795 245
	<b>14 831 483</b>	<b>312 235</b>	<b>597 165</b>	<b>15 740 883</b>
Non-current liabilities		15 367 195		14 556 051
Current liabilities		1 473 880		1 184 832
		<b>16 841 075</b>		<b>15 740 883</b>

**Performance Bonus**

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Long Service**

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5 years and every 5 years thereafter of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

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.

**Environmental rehabilitation provision**

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry, "All landfills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenance and leachate management."

The financial implications for the rehabilitation of the landfill site were performed by Hendrik Adriaan Roets, who is registered with the South African Institution of Civil Engineering. This was carried out on the 03 August 2018 for the effective date, 30 June 2018. Currently no appointment for the closure has been made, and therefore estimates have been compiled. The provision is based on a 15 year estimation.

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
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### 13. Provisions (continued)

Landfill sites generally fall into 3 categories, which are separated by the size of the landfill, the type of waste and the amount of leachate produced. The land fill site closure design is based on it falling in the G:S:B+ formation which has the following capping layers:

- 200mm Topsoil
- 300mm Compacted clay

In calculating the provision for rehabilitation, the following four items have been included:

Direct contract costs - this equates to a unit cost of 90 Rand per square meter based on previous closure of the Ducats landfill. Unit costs are used to estimate rehabilitation costs until a service provider is appointed to perform an investigation and design

Indirect professional fees - these fees are fixed and are based on a percentage of the contract.

Indirect disbursements - These are estimated by obtaining quotations from third party service providers for similar works.

Escalation has also been considered and included in the costs.

The monetary value for the provision for the landfill site at 30 June 2018 is R 12,433,069 (2017: 11,949,197)

### 14. Employee benefit obligations

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	11 266 203	10 130 854
Present value of the defined benefit obligation-partly or wholly funded	416 244	361 990
	<b>11 682 447</b>	<b>10 492 844</b>

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

Opening balance	10 492 844	10 789 296
Contributions by plan participants	(497 185)	(160 230)
Net expense recognised in the statement of financial performance	1 686 788	(136 222)
	<b>11 682 447</b>	<b>10 492 844</b>

Net expense recognised in the statement of financial performance

Current service cost	1 041 888	1 035 871
Interest cost	1 002 228	970 185
Actuarial (gains) losses	(357 328)	(2 142 278)
	<b>1 686 788</b>	<b>(136 222)</b>

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 results 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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Chanan Weiss of ARCH Actuarial Consulting, fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
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**14. Employee benefit obligations (continued)****Key assumptions used**

Assumptions used at the reporting date:

Actual return on plan assets	63	63
Discount rates used	9.72 %	9.72 %
Expected rate of return on assets	7.98 %	7.98 %
Expected rate of return on reimbursement rights	1.60 %	1.60 %

**Other assumptions**

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 454 300	2 454 300
Effect on defined benefit obligation	12 461 000	12 461 000

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	11 682 447	10 492 844	10 789 296	8 698 503	7 459 676
Surplus (deficit)	(11 682 447)	(10 492 844)	(10 789 296)	(8 698 503)	(7 459 676)

**15. Payables from exchange transactions**

Trade payables	55 065	213 438
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**16. Revaluation reserve**

Opening balance	87 085 310	89 919 414
Change during the year	79 694 066	(2 834 104)
	<b>166 779 376</b>	<b>87 085 310</b>

The revaluation reserve arose on the revaluation of land and buildings and infrastructure asset in prior periods. Where revalued land and buildings and infrastructure assets are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated surplus. The revaluation reserve is also realised through the transfer of depreciation on revalued assets to accumulated surplus. Distribution from the revaluation reserve can be made where they are in accordance with the requirements of the municipality's accounting policy and relevant case law. The payment of cash distribution out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to accumulated surplus. The council does not currently intend to make any distributions from the revaluation reserve.

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>17. Revenue</b>		
Fine receipts	959 105	802 152
Government grants & subsidies	323 009 805	314 602 823
Licences and permits	3 598 251	3 793 345
Interest received - investment	18 286 896	14 266 232
Other income	1 444 456	7 045 966
Property rates	25 727 287	25 919 327
Public contributions and donations	-	39 000
Rental of facilities and equipment	955 607	732 202
Service charges	57 944 653	56 290 308
	<b>431 926 060</b>	<b>423 491 355</b>

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

Interest received - investment	18 286 896	14 266 232
Licences and permits	3 598 251	3 793 345
Other income	1 444 456	7 045 966
Rental of facilities and equipment	955 607	732 202
Service charges	57 944 653	56 290 308
	<b>82 229 863</b>	<b>82 128 053</b>

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

<b>Taxation revenue</b>		
Property rates	25 727 287	25 919 327
<b>Transfer revenue</b>		
Fine receipts	959 105	802 152
Government grants & subsidies	323 009 805	314 602 823
Public contributions and donations	-	39 000
	<b>349 696 197</b>	<b>341 363 302</b>

**18. Service charges**

Refuse removal	9 450 515	8 657 468
Sale of electricity	48 494 138	47 632 840
	<b>57 944 653</b>	<b>56 290 308</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**19. Rental of facilities and equipment**

Hall Hire	146 076	139 175
Site Rental	778 978	555 375
Stadium Hire	30 553	37 652
	<b>955 607</b>	<b>732 202</b>



## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>20. Licenses and permits</b>		
Drivers and Motor Vehicle licenses	3 565 818	3 765 962
Fishing license	11 418	20 406
Hoarding permit	3 950	-
Business licenses	17 065	6 977
	<b>3 598 251</b>	<b>3 793 345</b>

### 21. Other income

Ticket Sales	128 631	-
Sundry services	-	6 057 878
Rezoning certificates	20 479	735
Pool fees	41 397	45 342
Rates certificates	16 607	1 605
Building plans	199 877	168 100
Camping Fees	2 337	-
Photo copies	234	209
Cemetery fees	67 725	58 408
Tender documents	737 200	498 718
Driveway hardening	-	18 093
Sub-division planning	250	-
SETA refund	198 438	176 742
Special consent	16 786	9 679
Temporary structure planning	5 146	-
Demolition fees	9 349	10 457
	<b>1 444 456</b>	<b>7 045 966</b>

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

### 22. Interest received

#### Interest revenue

Interest on short-term bank deposits	9 013 882	7 060 637
Interest on Electricity and rates	9 273 014	7 205 595
	<b>18 286 896</b>	<b>14 266 232</b>

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	5 337 894	4 852 934
Commercial	7 049 606	6 674 691
Vacant Land	405 868	413 689
Municipal	12 476 208	13 527 565
Public benefit organisation	382 399	450 448
Communal land	75 312	-
	<b>25 727 287</b>	<b>25 919 327</b>

Supplementary assessment rates are levied on the value of land and improvements, for which a valuation is performed every five years. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new valuation roll has been implemented from 1 July 2013.

### Valuations

Residential	1 009 242 850	1 005 074 750
Commercial	786 908 364	782 746 864
State	564 229 504	564 224 509
Vacant land	21 185 000	28 613 000
Municipal and Local Government (Rural)	681 867 120	674 036 639
Exempted properties	307 139 287	307 063 288
	<b>3 370 572 125</b>	<b>3 361 759 050</b>

A general rate of 0.0095791 (2017: 0.009123) is applied to residential property valuations and 0.01150 (2017: R0.01048) to commercial property valuations to determine assessment rates. Rebates of 35% (2017: 35%) are granted to residential property owners and 10% (2017: 10%) to commercial property owners.

A general rate of 0.002395 (2017: R0.002281) is applied on agricultural/farm properties/land and a rebate of 65% (2017: 65%) are granted to agricultural/farm properties/land.

Rates are levied on an annual basis with the final date for payment being 30 September 2018 (30 September 2017). Interest at 18% per annum (2017: 18%) and a collection fee of 0% (2017: 0%), is levied on rates outstanding two months after due date.

All general rates increased by 5%

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	185 808 000	170 266 000
Human settlements	778 201	675 055
	<b>186 586 201</b>	<b>170 941 055</b>
<b>Capital Grants</b>		
Assets Grant	-	100 000
Desrac Grant	-	143 741
Election IEC	-	2 232 783
INEP	76 112 922	80 000 000
EPWP Incentive	2 780 000	1 790 000
Fire Project	-	378 093
Eletrification Support	9 306 060	-
Library Upgrade	458 860	-
National: FMG Grant	1 700 000	1 625 000
National: MIG Grant	46 057 300	47 012 000
Music Festival	-	250 000
Other Grants	8 462	31 855
Smart Metering Grant	-	10 000 000
Spatial Development	-	98 296
	<b>136 423 604</b>	<b>143 661 768</b>
	<b>323 009 805</b>	<b>314 602 823</b>

**Equitable Share**

In terms of the Constitution, this grant is used unconditionally for the provisioning of basic services to support indigent communities.

**National: FMG grant**

Current-year receipts	1 700 000	1 625 000
Conditions met - transferred to revenue	(1 700 000)	(1 625 000)
	-	-

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

**National: MIG grant**

Current-year receipts	47 491 751	47 012 000
Conditions met - transferred to revenue	(43 461 051)	(47 012 000)
	<b>4 030 700</b>	-

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

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>24. Government grants and subsidies (continued)</b>		
<b>National: DoE Electrification grant</b>		
Current-year receipts	80 000 000	80 000 000
Conditions met - transferred to revenue	(76 112 921)	(80 000 000)
	<b>3 887 079</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Provincial government Establishment plan</b>		
Balance unspent at beginning of year	63 798	163 798
Conditions met - transferred to revenue	-	(100 000)
	<b>63 798</b>	<b>63 798</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Local Government IDP fund</b>		
Balance unspent at beginning of year	68 145	2 332 783
Conditions met - transferred to revenue	(8 462)	(2 264 638)
	<b>59 683</b>	<b>68 145</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Library Upgrade</b>		
Balance unspent at beginning of year	1 071 959	815 700
Current-year receipts	400 000	400 000
Conditions met - transferred to revenue	(458 859)	(143 741)
	<b>1 013 100</b>	<b>1 071 959</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Spatial Development</b>		
Balance unspent at beginning of year	43 865	142 161
Conditions met - transferred to revenue	-	(98 296)
	<b>43 865</b>	<b>43 865</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>EPWP Grant</b>		
Current-year receipts	2 780 000	1 790 000
Conditions met - transferred to revenue	(2 780 000)	(1 790 000)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 12).		

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>24. Government grants and subsidies (continued)</b>		
<b>LED Projects</b>		
Balance unspent at beginning of year	506 536	506 536
Conditions still to be met - remain liabilities (see note 12).		
<b>Provincial: Seta</b>		
Current-year receipts	198 438	176 742
Conditions met - transferred to revenue	(198 438)	(176 742)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
<b>Provincial treasury electrification support grant</b>		
Current-year receipts	9 307 587	-
Conditions met - transferred to revenue	(9 306 060)	-
	<b>1 527</b>	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Other Grants</b>		
Balance unspent at beginning of year	422 523	69 379
Current-year receipts	575 074	1 406 292
Conditions met - transferred to revenue	(778 201)	(1 053 148)
	<b>219 396</b>	<b>422 523</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>25. Public contributions and donations</b>		
Donations	-	39 000

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>26. Fine receipts</b>		
Traffic fines	959 105	802 152
<b>27. Employee related costs</b>		
Basic	69 004 820	61 711 199
Bonus	3 553 451	3 158 678
Overtime payments	2 401 411	1 665 923
Acting allowances	-	109 736
Car allowance	4 025 730	2 996 739
Contribution to bonus and post retirement provision	-	725 210
Defined contribution plans	10 481 529	7 738 279
Housing benefits and allowances	3 716 699	2 438 702
Leave pay provision charge	2 520 785	2 215 620
Long-service awards	743 422	-
Medical aid - company contributions	3 298 203	2 437 296
Cellular and telephone Allowances	6 000	-
Provision for movement in performance bonuses	15 986	(296 452)
SDL	1 041 660	895 377
UIF	533 692	489 657
	<b>101 343 388</b>	<b>86 285 964</b>

### Remuneration of Municipal Manager

Annual Remuneration	816 533	1 274 015
Backpay	95 372	-
Car Allowance	310 666	240 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Performance bonus	151 402	-
Remote allowance	62 264	-
	<b>1 438 022</b>	<b>1 515 800</b>

### Remuneration of Chief Financial Officer

Annual Remuneration	570 155	715 090
Backpay	91 975	-
Car Allowance	293 449	157 500
Contributions to UIF, Medical and Pension Funds	1 785	1 605
Medical aid	102 764	-
Performance Bonuses	98 933	-
Back Pay	-	226 663
Remote Allowance	60 985	-
	<b>1 220 046</b>	<b>1 100 858</b>

Mr Ndzelu served as Chief Financial Officer for the entire period under review

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Corporate Services Manager</b>		
Annual Remuneration	828 813	1 001 454
Car Allowance	108 000	162 000
Contributions to UIF, Medical and Pension Funds	1 636	1 785
Performance Bonuses	69 807	-
	<b>1 008 256</b>	<b>1 165 239</b>

Mr L.T. Somtseu's contract ended in March 2108.

### Remuneration of Community Services Manager

Annual Remuneration	514 357	483 854
Backpay	69 416	-
Car Allowance	149 758	125 000
Contributions to UIF, Medical and Pension Funds	91 249	1 487
Housing Allowance	112 258	-
Back Pay	-	56 081
Remote allowance	59 706	29 684
	<b>996 744</b>	<b>696 106</b>

MR S.M. Mbedla served as Community Services Manager for the entire period under review.

### Remuneration of the EDP Manager

Annual Remuneration	230 953	321 196
Backpay	23 428	-
Car allowance	76 984	75 000
Contributions to UIF, Medical and Pension Funds	892	892
Housing Allowance	76 984	-
Remote allowance	26 945	12 722
	<b>436 186</b>	<b>409 810</b>

Mr T Mfene served as Acting EDP Manager until December 2017. Ms T Ntsalla has been appointed as EDP Manager from January 2018.

### Remuneration of the Infrastructure Manager

Annual Remuneration	648 549	935 454
Car Allowance	140 522	96 000
Contributions to UIF, Medical and Pension Funds	1 636	1 785
Housing allowance	234 203	132 000
	<b>1 024 910</b>	<b>1 165 239</b>

Mr M. Somi's contract ended in April 2018.

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>27. Employee related costs (continued)</b>		
<b>Staff leave benefits</b>		
Municipal Manager	44 970	262 000
Chief Financial Officer	70 154	20 919
Corporate Service Manager	-	161 471
Community Service Manager	52 391	43 189
EDP Managr	29 605	-
Infrastructure Manager	-	196 861
	<b>197 120</b>	<b>684 440</b>
<b>28. Remuneration of councillors</b>		
Mayor	555 289	522 216
Speaker	460 365	440 119
Chief Whip	447 702	430 687
MPAC Chair	408 099	371 901
Executive Committee	2 934 261	2 873 422
Councillors	6 739 175	6 746 582
Company contributions to UIF, medical aid and pension fund	770 223	732 520
Sundry Allowances (Cellular phones, housing and vehicles)	6 321 278	4 869 844
	<b>18 636 392</b>	<b>16 987 291</b>
<b>29. Remuneration of traditional leaders</b>		
Remuneration of traditional leaders	452 458	432 670
<b>30. Depreciation and amortisation</b>		
Intangible assets	52 010	648 932
Property, plant and equipment	31 719 097	31 233 990
	<b>31 771 107</b>	<b>31 882 922</b>
<b>31. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	19 673 618	-
<b>32. Finance costs</b>		
Finance leases	-	8 341
Late payments	7 605	33 668
	<b>7 605</b>	<b>42 009</b>
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	366 032	1 193 598
<b>34. Material and stores</b>		
Material and stores	4 545 237	2 189 385



**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>34. Material and stores (continued)</b>		
This amount relates to expenditure for the year on Material and stores. It was previously disclosed under general expenses, but is now separately disclosable on the face of the Statement of Financial Performance as per the requirements of the Municipal Standard Chart of Accounts (mSCOA).		
<b>35. Bulk purchases</b>		
Electricity	37 197 201	36 713 653
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom. The municipality incurred electricity line losses of R1 439 806.38 at a percentage of 5.71% (2017: 7.1%) in the current year. The technical losses is R821 830.36 (3.26%) and the non-technical losses are R 617 633.25 (2.45%)		
Water is supplied directly to residents and businesses by the district municipality.		
<b>36. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	5 755 924	3 103 319
Legal Cost	6 439 805	5 231 574
Professional Fees	6 812 447	4 147 266
<b>Contractors</b>		
Audio Visual Services	13 900	-
Debt Collection Consultants	322 839	-
Event Promoters	3 691 928	219 298
Employee Wellness	80 745	33 426
Free Basic Electricity	8 029 808	11 213 526
Maintenance of Unspecified Assets	12 493 357	10 610 894
Safe Guarding and Security	7 124 986	7 326 171
<b>Outsource</b>		
Business and Advisory	379 549	3 674 342
Catering Services	1 109 582	1 496 864
Cleaning Services	1 385 238	5 099 933
Consultants and Professional Fees	10 168 741	7 929 244
Refuse Removal	4 395 756	4 614 406
<b>Other Contracted Services</b>		
	<b>68 204 605</b>	<b>64 700 263</b>

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>37. Operational/ General Expenses</b>		
Achievement and Awards	271 056	-
Advertising	1 714 305	2 008 828
Bank charges	255 805	268 649
Bursaries and Learnerships	836 104	2 028 047
Chemicals	-	79 557
Communication	191 000	582 855
Conferences and seminars	445 479	1 679 186
Delegates expenses	8 700 204	6 851 395
Electricity	213 120	203 499
Entertainment	-	105 000
External Computer Services	3 980 087	2 856 958
Hire Charges	774 502	88 866
Insurance	1 344 021	864 693
Loss on construction contracts	-	5 106 356
Motor vehicle expenses	139 807	140 448
Obsolete stock written off	2 779	7 011
Other expenses	2 233 984	261 099
Postage and courier	252 002	142 791
Printing and stationery	491 614	1 682 891
Project maintenance costs	-	6 269 812
Public participation	-	2 918 147
Remuneration to ward committees	3 108 000	-
Subscriptions and membership fees	3 624 898	2 101 431
Telephone and fax	2 271 252	2 030 289
Town planning	-	474 724
Transport Provided as Part of Departmental Activities	328 271	31 855
Uniforms and Protective Clothing	883 478	1 123 072
Venue expenses	-	369 568
Wet Fuel and oil	1 800 675	1 620 184
	<b>33 862 443</b>	<b>41 897 211</b>
<b>38. Cash generated from operations</b>		
Surplus	69 432 151	140 367 983
<b>Adjustments for:</b>		
Depreciation and amortisation	31 771 107	31 882 922
Loss on sale of assets and liabilities	45 938 436	208 252
Finance costs - Finance leases	-	8 341
Impairment deficit	19 673 618	-
Debt impairment	366 032	1 193 598
Movements in operating lease assets and accruals	-	(296 452)
Movements in retirement benefit assets and liabilities	1 189 603	-
Movements in provisions	1 100 192	909 400
Write back of stale cheque's	-	45 960
Other changes & movements	(159 064)	1 228 409
<b>Changes in working capital:</b>		
Inventories	(303 798)	295 774
Consumer debtors	(1 352 367)	(3 358 075)
Other receivables from non-exchange transactions	(2 950 100)	(14 569 014)
Prepayments	-	859 291
Payables from exchange transactions	16 674 130	(1 329 962)
VAT	(3 458 749)	1 469 841
Unspent conditional grants and receipts	7 648 857	(1 853 531)
Consumer deposits	8 676	3 207
	<b>185 578 724</b>	<b>157 065 944</b>

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>39. Unauthorised expenditure</b>		
Opening balance	94 704	-
Unauthorised Expenditure	-	94 704
	<b>94 704</b>	<b>94 704</b>

Management did not identify unauthorised expenditure during the financial year, however it was identified during 2016/17 financial year audit. It was reported to council and recommendations of the council were implemented accordingly.

### 40. Irregular expenditure

Opening balance	1 958 437	-
Add: Irregular Expenditure - current year	-	1 958 437
Less: Amounts condoned	-	-
	<b>1 958 437</b>	<b>1 958 437</b>

Management did not identify irregular expenditure during the financial year, however it was identified during 2016/17 financial year audit. It was reported to council and recommendations of the council were implemented accordingly.

### 41. Audit fees

Fees	5 753 387	3 103 319
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## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
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### 42. Risk management

#### Financial risk management

##### Liquidity risk

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

At 30 June	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 year
Trade and other payables	R 43,394,528	R 55,065	-	-

##### 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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

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

Financial instrument	2018	2017
Trade receivables	7 534 074	8 655 656
Nedbank	(1 074 584)	3 140 400
Standard Bank	416 287	208 863
First National Bank	4 195 903	621 687
Short-term Investments	116 481 339	68 065 998

### 43. Fruitless and wasteful expenditure

Opening balance	39 194	5 439
Fruitless and wasteful expenditure - current year	7 605	33 755
	<b>46 799</b>	<b>39 194</b>

Management identified this and a report has been prepared for council deliberation and its recommendations will be implemented to either recover monies or write offs where necessary.

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R	
<b>44. Financial instruments disclosure</b>			
<b>Categories of financial instruments</b>			
<b>2018</b>			
<b>Financial assets</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	-	7 534 074	7 534 074
Other receivables from non-exchange transactions	-	53 426 295	53 426 295
Consumer debtors	-	17 828 980	17 828 980
Cash and cash equivalents	119 893 652	-	119 893 652
	<b>119 893 652</b>	<b>78 789 349</b>	<b>198 683 001</b>
<b>Financial liabilities</b>			
		<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions		43 394 528	43 394 528
<b>2017</b>			
<b>Financial assets</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	-	8 655 656	8 655 656
Other receivables from non-exchange transactions	-	41 249 083	41 249 083
Consumer debtors	-	19 971 158	19 971 158
Cash and cash equivalents	72 038 196	-	72 038 196
	<b>72 038 196</b>	<b>69 875 897</b>	<b>141 914 093</b>
<b>Financial liabilities</b>			
		<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions		28 455 213	28 455 213
<b>Fair value information</b>			
The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standards terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.			
<b>Fair value hierarchy of financial assets at fair value</b>			
Transfers out of level 1		3 412 313	3 844 404
Bank balances and cash		116 481 339	68 065 998
Short-term deposits		119 893 652	71 910 402

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>45. Operating lease</b>		
The Municipality had the following operating leases in the current year:		
<b>Kokstad Copiers</b> - The lease is held on a monthly basis. No outstanding commitment exists.		
<b>Konica Minolta</b> - The lease is held on a monthly basis. No outstanding commitment exists.		
<b>Nedbank</b> - The lease is held on a monthly basis. No outstanding commitment exists.		
<b>Telkom:</b>		
Within one year:	R 483,729	
In the second to fifth year inclusive:	R 322,486	
<b>Kokstad Copiers lease 2</b> - for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Within one year :	R 48,411	
In the second to fifth year inclusive:	R 8,068	
<b>Aloe Office</b> - for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Within one year :	R 102,120	
In the second to fifth year inclusive:	R 110,630	

## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
<b>46. Contingencies</b>		
<b><u>LIABILITIES</u></b>		
<b>ML Hans vs Matatiele Local Municipality</b>		
Mr Hans applied for a civil claim against the municipality regarding the unlawful impoundment of his motor vehicle. The estimated cost of the suit is R 463,348.		
<b>Diko van der Merwe vs Matatiele Local Municipality</b>		
The municipality is being sued for non payment by a service provider. The estimated cost of the suit is between R 25,000 and R 30,000.		
<b>Tripple N's, A Trading CC and 2 others vs Matatiele Local Municipality</b>		
The estimated cost of the suit is R1,623,146.		
<b>TCN Architects vs Matatiele Local Municipality</b>		
The municipality is being sued for non payment by a service provider. The estimated cost of the suit is between R326,234.		
<b>Mkhize Minning vs Matatiele Local Municipality</b>		
The municipality is being sued for termination of contract of a service provider. The estimated cost of the suit is R 5,000,000.		
<b>Begin Africa vs Matatiele Local Municipality</b>		
The municipality is being sued for non payment of services rendered. The estimated cost of the suit is R 2,665,824 and R 900,000.		
<b>Matubatuba and Matshoba vs Matatiele Local Municipality</b>		
The municipality is being sued for unfair dismissal of employees. The estimated cost of the suit is R 2,800,000		
<b>Two Sisters vs Matatiele Local Municipality</b>		
The municipality is being sued for non payment of the service provider regarding construction of Maluti Civic Centre. The estimated cost of the suit is R 300,000.		
<b>Branded Soul Production CC vs Matatiele Local Municipality</b>		
The estimated cost of the suit is between R 317,889.		
<b><u>ASSETS</u></b>		
<b>Matatiele Municipality vs Cyassound Event Management</b>		
The municipality logged a claim against Cyassound for non payment of the municipalities share of profits from ticket sale. The estimated cost of the claim is R 70,000.		
<b>Matatiele Municipality vs Lubbe Construction</b>		
The municipality logged a claim against the contractor for construction of the Council chamber which was not carried out with due skill, diligence and regularity. The estimated cost of the suit is R22 173 329		

**Notes to the Financial Statements for the period ended 30 June 2018**

	2018 R	2017 R
<b>47. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	104 607 337	105 586 345
<b>Total capital commitments</b>	<b>104 607 337</b>	<b>105 586 345</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Cleaning services	7 073 099	1 174 064
• Waste Collection	7 379 853	1 906 336
• Landfill site	653 312	2 794 158
• Financial management support	615 493	3 205 532
• Performance management system	834 548	772 390
• Smart Metering	4 600 323	11 042 340
• Printing solutions	68 913	241 400
• Email Management, Archiving and Continuity	419 081	779 759
• Security services	11 336 211	19 081 742
• Financial management services	3 828 382	3 522 600
• Land parcels surveying	-	137 558
• Internal audit services	445 823	799 205
• Land surveying - residential	239 790	287 100
• Land surveying - commercial	202 816	264 816
• Laptops for councillors	436 677	781 418
• Vehicle tracking system	830 236	1 139 606
• Vodacom cellphones	810 766	1 549 608
• Management of medium-term insurance portfolio	1 227 049	-
• Website hosting	738 446	-
• Supply, installation and maintenance of multi-function printer	74 527	-
• Revaluation and updating of infrastructure asset register	1 568 933	-
• Maintenance of cemeteries and digging of graves	1 825 000	-
	<b>45 209 278</b>	<b>49 479 632</b>
<b>Total operational commitments</b>		
Approved and contracted for	45 209 278	49 479 632

This committed expenditure relating to smart metering project was initially budgeted under operational, however, it subsequently became a capital project and was funded through a smart metering grant. It is accordingly disclosed as a capital commitment above.



## Notes to the Financial Statements for the period ended 30 June 2018

	2018 R	2017 R
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### 48. Related parties

#### Relationships

Employee Assistant and Health and Safety Practitioner	Spouse
Accountant- Payroll	Spouse

Xolani Faniso, the spouse of the Employee assistant and health and safety practitioner of the municipality, who is also a member of Bathokozeleni Trading CC, Mahlonono Construction, and Shakes and Xolani Trading J.V. Maboka, who were appointed to provide services relating to grass cutting. Current year expenditure relating to the above amounted to R 291,933, R 617,003, and R 708,600, respectively.

Taelo Letseka, the spouse of the Accountant - Payroll of the municipality (1 November 2012 - Current), is a member of Sweet Dreams Trading who were appointed to provide grass cutting and cleaning services of various Municipal properties, the expenditure incurred amounted to R 836,901

Lonwabo Sicwebu, the son of Administration Support Manager, is a member of Lonely Trading who were appointed to provide services relating to grass cutting and cleaning. The expenditure incurred amounted to R 96,663.

### 49. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award
- Contingencies

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions

## Notes to the Financial Statements for the period ended 30 June 2018

### Figures in Rand

#### 50. Budget differences

Material differences between budget and actual amounts

##### Income

Property rates - This was due to the "Income Foregone" aspect excluded from the budget. During the budgeting period the estimate of property rates was based on the estimation of implementing a new valuation roll

Interest earned - This was due to higher interest rates being offered by financial institutions than anticipated

Fine receipts - This was due to less fines being issued during the financial year as anticipated

Licences and permits - Higher growth in commercial activity within the municipal area has resulted in a greater number of vehicles and subsequently increased number of licenses and permits being issued

Government grants and subsidies - The Capital Replacement Reserve transfers were included within the budget for Government grants and subsidies

##### Expenditure

Material and stores - Cost containment measures were effectively implemented

Contracted services - Not all the contracted services were incurred to during the year

Transfers and subsidies - Expenditure from transfers and subsidies are now executed through the Contracted services line item as per the charts implemented from the Municipal Standard Chart of Accounts (mSCOA)

General expenses - Highly effective implementation of cost containment measures resulted in substantial reduction of general operating expenses

#### 51. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Current year subscription / fee	935 729	859 291
Amount paid - current year	(935 729)	(859 291)
	-	-

##### Audit fees

Opening balance	5 753 387	3 103 319
Amount paid - current year	(5 753 387)	(3 103 319)
	-	-

##### PAYE and UIF

Opening balance	19 069 267	15 155 113
Amount paid - current year	(19 069 267)	(15 155 113)
	-	-

##### VAT

VAT receivable	10 638 786	7 014 072
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VAT output payables and VAT input receivables are shown in note 4 .

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

**Notes to the Financial Statements for the period ended 30 June 2018**

Figures in Rand

**51. Additional disclosure in terms of Municipal Finance Management Act (continued)****Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding at June 30, 2018:

<b>June 30, 2018</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
NA Ganya	-	19 347	19 347
MN Mshuqwana	136	-	136
SM Mzozoyana	419	-	419
JG Van Whye	271	-	271
	<b>826</b>	<b>19 347</b>	<b>20 173</b>

  

<b>June 30, 2017</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
NA Ganya	-	33 162	33 162
WC Mdolomba	-	7 166	7 166
MN Mshuqwana	126	-	126
SM Mzozoyana	390	-	390
JG Van Whye	126	-	126
	<b>642</b>	<b>40 328</b>	<b>40 970</b>

**Supply chain management regulations - Deviations**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and be reported to Council for noting.

**Incident**

In an emergency	629 054	4 164 928
If such goods or services are produced or available from single provider only	-	1 126 668
In any other exceptional case where it is impractical or impossible to follow official procurement processes	5 737 685	24 882 962
	<b>6 366 739</b>	<b>30 174 558</b>

**52. Prior period errors****Investment Property**

Noted duplicate assets in the investment property.

Noted differences between investment property register and general valuation roll.

**Receivables from Exchange transactions and Prepayments**

Debtor of Council Chambers incorrectly disclosed as prepayments

**VAT Receivable and Cash & Cash Equivalents**

A VAT audit was carried out by SARS resulting in adjustment.

**Payables from exchange transactions and VAT Receivable**

Retention were not raised for completed projects 16-17.

## Notes to the Financial Statements for the period ended 30 June 2018

Figures in Rand

### 52. Prior period errors (continued)

Retention were not raised for Work In Progress Projects 16-17

Retention were not raised for Work In Progress Electrical Projects 16-17

#### Property plant & equipment

Adjustments for retentions were carried out as detailed above.

Reclassification of assets previously incorrectly classified and correcting of residual values

#### Depreciation

Recalculation of depreciation for the above corrections done on PPE

#### Opening Accumulated Surplus

This is an accumulation of corrections done on the above items

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

#### Statement of financial position

Property, plant and equipment	-	8 559 226
Vat receivable	-	716 702
Receivables from non-exchange transactions	-	915 171
Prepayments	-	(780 622)
Payables from exchange transactions	-	(8 251 436)
Investment property	-	(1 522 848)
Opening Accumulated Surplus or Deficit	-	(5 808 360)
Cash & Cash Equivalents	-	(126 554)

#### Statement of Financial Performance

Depreciation expense	-	6 298 714
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### 53. Municipal Standard Chart of Accounts (mSCOA) Reclassification

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption and implementation of the Municipal Standard Chart of Accounts (mSCOA) which regulates standard classification of municipal budget and financial information.

The aggregate effect of the implementation of the Municipal Standard Chart of Accounts (mSCOA) on the annual financial statements for the year ended June 30, 2017 is as follows:

**Notes to the Financial Statements for the period ended 30 June 2018**

Figures in Rand

**53. Municipal Standard Chart of Accounts (mSCOA) Reclassification (continued)****Statement of Financial Performance****Employee costs**

Previously stated	-	83 657 493
Adjustment	-	2 628 472
	-	<b>86 285 965</b>

**Remuneration of Councillors**

Previously stated	-	16 893 960
Adjustment (As per prior period errors note 53)	-	93 331
	-	<b>16 987 291</b>

**Repairs and Maintenance**

Previously stated	-	10 610 892
Adjustment	-	(10 610 892)
	-	-

**Contracted services**

Previously stated	-	22 496 020
Adjustment	-	42 204 243
	-	<b>64 700 263</b>

**Conditional grants Operating expenditure**

Previously stated	-	18 264 516
Adjustment	-	(18 264 516)
	-	-

**General expenses/Operating expenses**

Previously stated	-	59 928 023
Adjustment	-	(18 030 812)
	-	<b>41 897 211</b>

**Service charges**

Previously stated	-	56 151 228
Adjustment	-	139 080
	-	<b>56 290 308</b>

**Rental of facilities**

Previously stated	-	710 213
Adjustment	-	21 988
	-	<b>732 201</b>

**Licenses and permits**

Previously stated	-	2 106 074
Adjustment	-	1 687 271
	-	<b>3 793 345</b>

**Other income**

Previously stated	-	7 268 305
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## Notes to the Financial Statements for the period ended 30 June 2018

Figures in Rand

### 53. Municipal Standard Chart of Accounts (mSCOA) Reclassification (continued)

Adjustment	-	(222 339)
	-	<b>7 045 966</b>
<b>Grants and subsidies</b>		
Previously stated	-	314 779 565
Adjustment	-	(176 742)
	-	<b>314 602 823</b>
<b>Fines &amp; Receipts</b>		
Previously stated	-	2 251 410
Adjustment	-	(1 449 258)
	-	<b>802 152</b>
<b>Material and Stores</b>		
Previously stated	-	-
Adjustment	-	2 182 374
	-	<b>2 182 374</b>