Tswelopele Local Municipality

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

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998, Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Grading of local authority	Grade 2
Accounting Officer	Mogopodi, MRE
Chief Finance Officer (CFO)	Moletsane, NL
Registered office	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited
Municipal demarcation code	FS183
Council	Matsholo, FT (Mayor) Raseu, MW (Speaker) Horn, C (Councillor) Segopolo, MH (Councillor) Baleni, MS (Councillor) Soaisa, TA (Councillor) Bonokwane, MS (Councillor) Mgciya, MJ (Councillor) Eseu, BP (Councillor) Monei, MA (Councillor) Mohlabakoe, MB (Councillor) Joubert, EC (Councillor) Njodina, DA (Councillor) Snyer, MM (Councillor) Taedi, TT (Councillor)

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

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Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Mogopodi, MRE
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
Vapi, V (Chairperson)	5
Lubisi,R	3
Mpatlanyane, I - Appointed 2017/02/01	3
Nage, SD - Appointed 2017/02/01	3
Ramavhea, G - Resigned 2017/02/14	3
Van Wyk, CJ - Resigned 2016/11/13	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit Committee Report

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: _________________________

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	14	3 300 338	4 222 032
Receivables from exchange transactions	12	12 873 011	11 359 974
Inventories	8	631 014	680 488
Other receivables from exchange transactions	9	1 387 493	1 374 861
Receivables from non-exchange transactions	10&13	5 884 491	3 567 644
VAT receivable	11	4 371 123	1 262 014
		28 447 470	**22 467 013**
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	871 203	3 174 241
Investment property	4	22 518 268	22 857 701
Property, plant and equipment	5	560 771 290	554 542 319
Other financial assets	6	952 829	948 222
		585 113 590	**581 522 483**
Total Assets		**613 561 060**	**603 989 496**
Liabilities			
Current Liabilities			
Other financial liabilities	17	1 872 709	773 533
Finance lease obligation	15	573 220	616 416
Payables from exchange transactions	19	56 647 636	26 135 845
Consumer deposits	20	1 050 942	932 742
Employee benefit obligation	7	760 239	813 910
Unspent conditional grants and receipts	16	7 201 028	7 835 903
		68 105 774	**37 108 349**
Non-Current Liabilities			
Other financial liabilities	17	8 908 282	9 776 932
Finance lease obligation	15	5 511	567 210
Employee benefit obligation	7	7 245 759	7 918 398
Provisions	18	9 660 710	8 789 734
		25 820 262	**27 052 274**
Total Liabilities		**93 926 036**	**64 160 623**
Net Assets		**519 635 024**	**539 828 873**
Accumulated surplus		519 635 024	539 828 873

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	48 518 267	43 199 192
Rental of facilities and equipment	23	757 714	747 718
Interest received - trading		702 438	1 604 096
Licences and permits		28 088	65 500
Recoveries		225 675	-
Other income	24	909 313	1 050 789
Interest received - investment	25	619 576	1 133 161
Dividends received	25	19 722	49 420
Total revenue from exchange transactions		**51 780 793**	**47 849 876**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	15 853 885	15 085 482
Transfer revenue			
Government grants & subsidies	27	96 362 797	101 788 322
Fines, Penalties and Forfeits		273 700	300 900
Total revenue from non-exchange transactions		**112 490 382**	**117 174 704**
Total revenue	21	**164 271 175**	**165 024 580**
Expenditure			
Employee related costs	28	(58 385 186)	(57 697 441)
Remuneration of councillors	29	(4 782 759)	(4 663 463)
Depreciation and amortisation		(26 782 988)	(26 178 821)
Finance costs	30	(3 932 486)	(2 562 439)
Debt Impairment	31	(13 115 260)	(7 530 755)
Repairs and maintenance	32	(7 781 985)	(6 459 825)
Bulk purchases	33	(34 143 828)	(32 282 104)
Contracted services	34	(38 448)	(27 190)
General Expenses	35	(33 069 564)	(28 586 905)
Total expenditure		**(182 032 504)**	**(165 988 943)**
Operating deficit		**(17 761 329)**	**(964 363)**
(Loss) gain on disposal of assets and liabilities		(134 090)	829 938
Fair value adjustments	37	4 607	(23 540)
(Loss) gain on biological assets and agricultural produce	36	(2 303 038)	919 928
		(2 432 521)	**1 726 326**
(Deficit) surplus for the year		**(20 193 850)**	**761 963**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	426 038 550	426 038 550
Adjustments		
Prior year adjustments (Refer to Note 42)	6 671 411	6 671 411
Balance at 01 July 2015 as restated*	**432 709 961**	**432 709 961**
Changes in net assets		
Prior year adjustments	106 356 949	106 356 949
Net income (losses) recognised directly in net assets	106 356 949	106 356 949
Surplus for the year	761 963	761 963
Total recognised income and expenses for the year	107 118 912	107 118 912
Total changes	107 118 912	107 118 912
Balance at 01 July 2016 restated	**539 828 874**	**539 828 874**
Changes in net assets		
Surplus for the year	(20 193 850)	(20 193 850)
Total changes	(20 193 850)	(20 193 850)
Balance at 30 June 2017	**519 635 024**	**519 635 024**

Note(s)

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		47 208 902	52 428 707
Grants		95 727 922	99 717 168
Interest income		1 322 014	2 737 257
Dividends received		19 722	49 420
Other receipts		2 231 327	2 062 696
		146 509 887	156 995 248
Payments			
Employee costs		(62 586 809)	(60 645 290)
Suppliers		(47 546 527)	(69 458 337)
Finance costs		(3 838 040)	(2 416 809)
Other payments		(184 780)	(38 961)
		(114 156 156)	(132 559 397)
Net cash flows from operating activities	38	**32 353 731**	**24 435 851**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(33 331 179)	(32 305 534)
Proceeds from sale of property, plant and equipment	5	568 565	1 091 959
Movements in provision for landfill sites		(26 391)	4 495 199
Net cash flows from investing activities		**(32 789 005)**	**(26 718 376)**
Cash flows from financing activities			
Finance lease payments		(486 420)	149 127
Net increase/(decrease) in cash and cash equivalents		**(921 694)**	**(2 133 398)**
Cash and cash equivalents at the beginning of the year		4 222 032	6 355 430
Cash and cash equivalents at the end of the year	14	**3 300 338**	**4 222 032**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	52 145 000	-	**52 145 000**	48 518 267	**(3 626 733)**	N1
Rental of facilities and equipment	429 000	5 000	**434 000**	757 714	**323 714**	N2
Interest received (trading)	890 000	(100 000)	**790 000**	702 438	**(87 562)**	
Licences and permits	60 000	-	**60 000**	28 088	**(31 912)**	
Recoveries	-	-	**-**	225 675	**225 675**	N3
Other income - (rollup)	2 145 000	125 000	**2 270 000**	909 313	**(1 360 687)**	N4
Interest received - investment	760 000	(150 000)	**610 000**	619 576	**9 576**	
Gains on disposal of assets	2 077 000	-	**2 077 000**	-	**(2 077 000)**	N5
Dividends received	100 000	110 000	**210 000**	19 722	**(190 278)**	N6
Total revenue from exchange transactions	**58 606 000**	**(10 000)**	**58 596 000**	**51 780 793**	**(6 815 207)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 000 000	5 120 000	**20 120 000**	15 853 885	**(4 266 115)**	N7
Transfer revenue						
Government grants & subsidies	62 464 000	-	**62 464 000**	96 362 797	**33 898 797**	N8
Fines, Penalties and Forfeits	-	-	**-**	273 700	**273 700**	
Total revenue from non-exchange transactions	**77 464 000**	**5 120 000**	**82 584 000**	**112 490 382**	**29 906 382**	
Total revenue	**136 070 000**	**5 110 000**	**141 180 000**	**164 271 175**	**23 091 175**	
Expenditure						
Personnel	(54 640 000)	(1 957 000)	**(56 597 000)**	(58 385 186)	**(1 788 186)**	N9
Remuneration of councillors	(5 815 000)	100 000	**(5 715 000)**	(4 782 759)	**932 241**	
Depreciation and amortisation	(19 669 000)	-	**(19 669 000)**	(26 782 988)	**(7 113 988)**	N10
Finance costs	(2 088 000)	-	**(2 088 000)**	(3 932 486)	**(1 844 486)**	N11
Debt Impairment	(2 501 000)	-	**(2 501 000)**	(13 115 260)	**(10 614 260)**	N12
Bulk purchases	(31 300 000)	400 000	**(30 900 000)**	(34 143 828)	**(3 243 828)**	N13
Contracted Services	(650 000)	-	**(650 000)**	(38 448)	**611 552**	
Other materials	(6 751 000)	(757 000)	**(7 508 000)**	(7 781 985)	**(273 985)**	
General Expenses	(34 796 000)	(2 595 000)	**(37 391 000)**	(33 069 564)	**4 321 436**	N14
Total expenditure	**(158 210 000)**	**(4 809 000)**	**(163 019 000)**	**(182 032 504)**	**(19 013 504)**	
Operating deficit	**(22 140 000)**	**301 000**	**(21 839 000)**	**(17 761 329)**	**4 077 671**	
Loss on disposal of assets and liabilities	-	-	**-**	(134 090)	**(134 090)**	
Fair value adjustments	-	-	**-**	4 607	**4 607**	
Loss on biological assets and agricultural produce	-	-	**-**	(2 303 038)	**(2 303 038)**	N15
	-	**-**	**-**	**(2 432 521)**	**(2 432 521)**	
Deficit before taxation	**(22 140 000)**	**301 000**	**(21 839 000)**	**(20 193 850)**	**1 645 150**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(22 140 000)**	**301 000**	**(21 839 000)**	**(20 193 850)**	**1 645 150**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	220 000	-	**220 000**	631 014	**411 014**	
Other receivables from exchange transactions	-	-	**-**	1 387 493	**1 387 493**	
Receivables from non-exchange transactions	-	-	**-**	5 884 491	**5 884 491**	
VAT receivable	-	-	**-**	4 371 123	**4 371 123**	
Consumer debtors	5 000 000	-	**5 000 000**	12 873 011	**7 873 011**	
Cash and cash equivalents	10 500 000	(9 000 000)	**1 500 000**	3 300 338	**1 800 338**	
	15 720 000	**(9 000 000)**	**6 720 000**	**28 447 470**	**21 727 470**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	2 200 000	-	**2 200 000**	871 203	**(1 328 797)**	
Investment property	23 076 000	-	**23 076 000**	22 518 268	**(557 732)**	
Property, plant and equipment	445 230 000	-	**445 230 000**	560 771 290	**115 541 290**	
Other financial assets	987 000	-	**987 000**	952 829	**(34 171)**	
	471 493 000	**-**	**471 493 000**	**585 113 590**	**113 620 590**	
Total Assets	**487 213 000**	**(9 000 000)**	**478 213 000**	**613 561 060**	**135 348 060**	
Liabilities						
Current Liabilities						
Other financial liabilities	650 000	570 000	**1 220 000**	1 872 709	**652 709**	
Finance lease obligation	-	-	**-**	573 220	**573 220**	
Payables from exchange transactions	9 000 000	-	**9 000 000**	56 647 631	**47 647 631**	
Consumer deposits	-	-	**-**	1 050 942	**1 050 942**	
Unspent conditional grants and receipts	-	-	**-**	7 201 028	**7 201 028**	
Provisions	-	17 532 000	**17 532 000**	760 239	**(16 771 761)**	
Bank overdraft	-	1 500 000	**1 500 000**	-	**(1 500 000)**	
	9 650 000	**19 602 000**	**29 252 000**	**68 105 769**	**38 853 769**	
Non-Current Liabilities						
Other financial liabilities	11 280 000	(1 300 000)	**9 980 000**	8 908 282	**(1 071 718)**	
Finance lease obligation	-	-	**-**	5 511	**5 511**	
Provisions	-	17 532 000	**17 532 000**	16 906 469	**(625 531)**	
	11 280 000	**16 232 000**	**27 512 000**	**25 820 262**	**(1 691 738)**	
Total Liabilities	**20 930 000**	**35 834 000**	**56 764 000**	**93 926 031**	**37 162 031**	
Net Assets	**466 283 000**	**(44 834 000)**	**421 449 000**	**519 635 029**	**98 186 029**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	466 283 000	(44 834 000)	**421 449 000**	519 635 029	**98 186 029**	

Tswelopele Local Municipality

(Registration number FS183)
Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	15 750 000	5 120 000	20 870 000	-		20 870 000	15 853 885		(5 016 115)	76 %	101 %
Service charges	52 145 000	-	52 145 000	-		52 145 000	48 518 267		(3 626 733)	93 %	93 %
Investment revenue	760 000	(150 000)	610 000	-		610 000	639 298		29 298	105 %	84 %
Transfers recognised - operational	62 464 000	-	62 464 000	-		62 464 000	96 362 797		33 898 797	154 %	154 %
Other own revenue	4 951 000	140 000	5 091 000	-		5 091 000	2 901 535		(2 189 465)	57 %	59 %
Total revenue (excluding capital transfers and contributions)	**136 070 000**	**5 110 000**	**141 180 000**	**-**		**141 180 000**	**164 275 782**		**23 095 782**	**116 %**	**121 %**
Employee costs	(54 640 000)	(1 957 000)	(56 597 000)	-	-	(56 597 000)	(58 385 186)	-	(1 788 186)	103 %	107 %
Remuneration of councillors	(5 815 000)	100 000	(5 715 000)	-	-	(5 715 000)	(4 782 759)	-	932 241	84 %	82 %
Debt impairment	(19 669 000)	-	(19 669 000)			(19 669 000)	(13 115 260)	-	6 553 740	67 %	67 %
Depreciation and asset impairment	-	-	-			-	(26 782 988)	-	(26 782 988)	DIV/0 %	DIV/0 %
Finance charges	(2 088 000)	-	(2 088 000)	-	-	(2 088 000)	(3 932 486)	-	(1 844 486)	188 %	188 %
Materials and bulk purchases	(38 051 000)	(357 000)	(38 408 000)	-	-	(38 408 000)	(34 143 828)	-	4 264 172	89 %	90 %
Other expenditure	(37 946 000)	(2 595 000)	(40 541 000)	-	-	(40 541 000)	(43 327 125)	-	(2 786 125)	107 %	114 %
Total expenditure	**(158 209 000)**	**(4 809 000)**	**(163 018 000)**	**-**	**-**	**(163 018 000)**	**(184 469 632)**	**-**	**(21 451 632)**	**113 %**	**117 %**
Surplus/(Deficit)	**(22 139 000)**	**301 000**	**(21 838 000)**	**-**		**(21 838 000)**	**(20 193 850)**		**1 644 150**	**92 %**	**91 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	44 906 000	-	44 906 000	-		44 906 000	-		(44 906 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**22 767 000**	**301 000**	**23 068 000**	**-**		**23 068 000**	**(20 193 850)**		**(43 261 850)**	**(88)%**	**(89)%**
Surplus/(Deficit) for the year	**22 767 000**	**301 000**	**23 068 000**	**-**		**23 068 000**	**(20 193 850)**		**(43 261 850)**	**(88)%**	**(89)%**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. The estimate is based on the pattern in which as asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

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

1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

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

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

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

1.5 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30-45 years

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

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

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

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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.

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

1.6 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Community assets	Straight line	5-100 years
Other property, plant and equipment	Straight line	3-100 years
Infrastructure	Straight line	2-100 years

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

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

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

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

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

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

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

In accordance with Standards of GRAP, the landfill sites and borrowing pits (included under land) is depreciated over their determined remaining useful lives.

1.7 Site restoration and dismantling cost

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

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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

1.8 Financial instruments

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practises or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

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

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental rental expense over the lease term on a straight line basis over the lease term.

Any contingent rents are recognised separately as revenue in the period in which they are incurred.

Accounting Policies

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

1.13 Share capital / contributed capital

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

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

1.14 Employee benefits (continued)

Termination benefits

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

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

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

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

1.15 Provisions and contingencies (continued)

Levies

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

Government refers to government, government agencies and similar bodies whether local, national or international.

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

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, condition or obligations have not been met a liability is recognised.

Measurement

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

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

Taxes (Property rates for municipalities)

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Collection charges and penalties

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

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

Collection charges and penalty interest are recognised when:
- it is probable that the economic benefits ro service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines

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

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

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

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

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

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

Accounting Policies

1.18 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:.
- the operator uses the service concession asset to provide a mandate function on behalf of the municipality for a specific period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandate function in a service concession arrangement that:
- is provided by the operator which:
- - the operator constructs, develops, or acquires from a third party; or
- - is an existing asset of the operator.
- is provided by the grantor (municipality) which;
- - is an existing asset of the municipality; or
- - is an upgrade to an existing asset of the municipality.

An asset is povided by the operator, or an upgrade to an existing asset of the municiaplity is recognised as a service concession asset if:
- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at which price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:
- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.19 Borrowing costs

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

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

1.20 Discontinued operations

Discontinued operations is a component of the municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

Accounting Policies

1.20 Discontinued operations (continued)

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

1.21 Comparative figures

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

Refer to notes for detail.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

1.24 Irregular expenditure (continued)

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

1.25 Budget information

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

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

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

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

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

1.26 Related parties

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

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

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

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

1.27 Events after reporting date

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

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

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

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

1.28 Value-added Tax (VAT)

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

1.29 Statutory receivables

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

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

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

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

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

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

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankrputcy and defaullt payments are all considered indicators of impairment.

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

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

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

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

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

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

1.30 Accumulated surplus

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

1.31 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 39.

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

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

1.32 Grants in aid

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

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

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

1.33 Operating expenditure

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised in the Statement of Financial Performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenditure is recognised 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity’s financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

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

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

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

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

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 26 (as amended 2016): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

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

3. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	871 203	-	871 203	3 174 241	-	3 174 241

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

	Opening balance	Disposals	Increase due to assets acquired through a non-exchange transaction	Decrease due to assets disposed through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Biological assets	3 174 241	(253 600)	100 300	(40 500)	(2 109 238)	871 203

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Increase due to assets acquired through a non-exchange transaction	Decrease due to assets disposed through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Biological assets	2 254 313	233 830	(205 721)	891 819	3 174 241

Non - Financial information

Quantities of each biological asset		
Blesbok	61	81
Oryx	52	61
Kudu	12	11
Impala	18	20
Red Hartebees	18	18
Springbok	204	236
Black Springbok	26	25
Black Wildebees	120	196
Ostrich	11	8
Zebra	13	15
Horses	4	3
	539	**674**

4. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 001	(1 357 733)	22 518 268	23 876 001	(1 018 300)	22 857 701

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	22 857 701	(339 433)	22 518 268

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	23 197 134	(339 433)	22 857 701

Pledged as security

Carrying value of assets pledged as security:

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets	219 259 550	(95 941 951)	123 317 599	215 817 330	(88 658 585)	127 158 745
Community assets - under construction	966 425	-	966 425	2 890 383	-	2 890 383
Infrastructure	585 423 847	(291 721 187)	293 702 660	585 707 793	(275 335 417)	310 372 376
Infrastructure - under construction	97 356 048	-	97 356 048	66 974 677	-	66 974 677
Land	32 452 139	-	32 452 139	32 452 139	-	32 452 139
Other property, plant and equipment	27 400 388	(14 423 969)	12 976 419	27 038 663	(12 344 664)	14 693 999
Total	**962 858 397**	**(402 087 107)**	**560 771 290**	**930 880 985**	**(376 338 666)**	**554 542 319**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals - Cost	Transfers	Disposals - Accumulated depreciation	Depreciation	Total
Community assets	127 158 745	26 391	-	3 415 828	-	(7 283 365)	123 317 599
Community assets - under construction	2 890 383	1 491 870	-	(3 415 828)	-	-	966 425
Infrastructure	310 372 376	31 742	(315 688)	-	123 057	(16 508 827)	293 702 660
Infrastructure - under construction	66 974 677	30 381 371	-	-	-	-	97 356 048
Land	32 452 139	-	-	-	-	-	32 452 139
Other property, plant and equipment	14 693 999	1 399 805	(1 038 080)	-	572 058	(2 651 363)	12 976 419
	554 542 319	**33 331 179**	**(1 353 768)**	**-**	**695 115**	**(26 443 555)**	**560 771 290**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals - Cost	Transfers	Other changes, movements	Disposals - Accumulated depreciation	Depreciation	Total
Community assets	138 815 954	6 929	-	-	(4 495 199)	-	(7 168 939)	127 158 745
Community assets - under construction	966 425	1 923 958	-	-	-	-	-	2 890 383
Infrastructure	313 952 245	1 467 156	-	10 752 282	-	-	(15 799 307)	310 372 376
Infrastructure - under construction	50 720 522	27 006 437	-	(10 752 282)	-	-	-	66 974 677
Land	32 641 139	-	(189 000)	-	-	-	-	32 452 139
Other property, plant and equipment	15 737 106	1 901 054	(2 999 248)	-	-	2 926 228	(2 871 141)	14 693 999
	552 833 391	**32 305 534**	**(3 188 248)**	**-**	**(4 495 199)**	**2 926 228**	**(25 839 387)**	**554 542 319**

Pledged as security

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

Other information

The following specific costs included in the amount of Repairs and Maintenance disclosed in Note 32 were incurred by the municipality during the reporting period:		
Community assets	352 181	188 089
Other property, plant and equipment	502 461	711 591
Infrastructure	6 927 343	5 560 145
	7 781 985	**6 459 825**

5. Property, plant and equipment (continued)

Projects taking a significant long time to complete:

Tikwana : Construction of 1.5km paved road - The project was initially funded through COGTA Free State and the municipality had to counter fund the project at a later stage and therefore the amount was only allocated in the 2017/2018 financial year..

Tikwana and Phahameng : Community sport facilities - The project was funded by the Federal Republic of Germany, the KFW Entwicklungsbank through the Department of Sports and Recreation. The funding was stopped in 2014 and the municipality has been looking for additional funding to complete the project from the Department of Sports and Recreation. The municipality submitted an application in November 2017 for funding in the 2018/2019 financial year.

Hoopstad: Electricity network upgrade - The project was funded by the municipality up until 2013. The outstanding work will be completed in the 2017/2018 financial year.

Bultfontein and Hoopstad : Upgrading of bulk electricity infrastructure - The project was pre-approved in 2014 and allocated R1.5 million in the 2015/2016 financial year. The funding was redirected in the 2016/2017 financial year by the Department. The municipality is allocated R10 million for the 2017/2018 financial year and the project has commenced.

Bultfontein and Hoopstad : Upgrading of water reticulation network phase 1 - The municipality was allocated R5 million in he 2015/2016 financial year through ACIP from the Department of Water and Sanitation. The municipality initially applied for R10 million. The other R5 million was redirected to drought projects in other areas. The municipality still awaits the additional R5 million funding and is in talks with the Department of Water and Sanitation.

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

6. Other financial assets

Designated at fair value		
Unlisted shares	952 829	948 222
49 383 shares in Senwes Limited		
75 732 shares held in Senwesbel Limited		
Non-current assets		
Designated at fair value	952 829	948 222

7. Employee benefit obligations

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

Carrying value		
Present value of the post-employment medical aid liability	(4 615 929)	(5 648 000)
Present value of the long service awards liability	(3 390 069)	(3 084 308)
	(8 005 998)	**(8 732 308)**
Non-current liabilities	(7 245 759)	(7 918 398)
Current liabilities	(760 239)	(813 910)
	(8 005 998)	**(8 732 308)**

Changes in the present value of the defined benefit obligation and the long service awards are as follows:

Opening balance	8 732 308	9 894 000
Benefits paid	(813 910)	(883 000)
Net expense recognised in the statement of financial performance	87 600	(278 692)
	8 005 998	**8 732 308**

Net expense recognised in the statement of financial performance

Current service cost	398 002	500 000
Interest cost	727 178	866 000
Actuarial (gains) losses	(1 037 580)	(1 644 692)
	87 600	**(278 692)**

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets		
Discount rates used	8,89 %	8,83 %
Expected rate of return on assets	6,17 %	7,02 %
Expected increase in salaries	6,96 %	7,76 %
Expected increase in healthcare costs	7,67 %	8,02 %
Future changes in maximum state healthcare benefits	5,96 %	6,76 %
Net discount rate used	1,60 %	0,77 %

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	33 420	(32 188)
Effect on defined benefit obligation	365 835	(327 297)

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

	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	(4 615 929)	(5 648 000)	(6 754 000)	(7 056 000)
Long service awards obligation	(3 390 069)	(3 084 308)	(3 140 000)	(3 139 000)

8. Inventories

	2017	2016
Electrical	160 010	120 651
Fuel (Diesel, Petrol)	124 328	188 533
Mechanical	58 135	91 396
Water	43 885	36 730
Water Equipment	244 656	243 178
	631 014	**680 488**

9. Other receivables from exchange transactions

	2017	2016
Eskom deposits	576 423	551 220
Other receivables	811 070	823 641
	1 387 493	**1 374 861**

Credit quality of trade and other receivables

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

10. Receivables from non-exchange transactions

	2017	2016
Other receivables - Traffic fines debtor	240 667	154 220
Other receivables - Traffic fines impairment	(240 667)	(154 220)
Consumer debtors - Rates	5 884 491	3 567 644
	5 884 491	**3 567 644**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

11. VAT receivable

	2017	2016
VAT	4 371 123	1 262 014

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Receivables from exchange transactions

Gross balances		
Electricity	9 287 542	5 800 471
Water	9 055 330	7 030 984
Sewerage	13 208 671	10 912 462
Refuse	8 364 812	7 155 077
Housing rental	1 878 513	2 018 918
	41 794 868	**32 917 912**
Less: Allowance for impairment		
Electricity	(2 886 311)	(718 243)
Water	(7 094 672)	(5 314 706)
Sewerage	(10 718 868)	(8 637 797)
Refuse	(6 804 754)	(5 713 318)
Housing rental	(1 417 252)	(1 173 874)
	(28 921 857)	**(21 557 938)**
Net balance		
Electricity	6 401 231	5 082 228
Water	1 960 658	1 716 278
Sewerage	2 489 803	2 274 665
Refuse	1 560 058	1 441 759
Housing rental	461 261	845 044
	12 873 011	**11 359 974**
Included in above is receivables from exchange transactions		
Electricity	6 401 231	5 082 228
Water	1 960 658	1 716 278
Sewerage	2 489 803	2 274 664
Refuse	1 560 058	1 441 760
Housing rental	461 261	845 044
	12 873 011	**11 359 974**
Net balance	**12 873 011**	**11 359 974**
Electricity		
Current (0 -30 days)	2 430 754	1 932 058
31 - 60 days	1 034 760	601 598
61 - 90 days	763 354	344 899
91 - 120 days	546 520	625 313
121 - 150 days	552 488	120 877
> 150 days	1 073 355	1 457 483
	6 401 231	**5 082 228**
Water		
Current (0 -30 days)	421 708	313 729
31 - 60 days	245 046	162 011
61 - 90 days	202 859	134 257
91 - 120 days	203 903	133 846
121 - 150 days	187 095	131 470
> 150 days	700 047	840 965
	1 960 658	**1 716 278**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

Sewerage		
Current (0 -30 days)	444 875	354 145
31 - 60 days	293 913	238 722
61 - 90 days	265 602	226 074
91 - 120 days	252 518	213 407
121 - 150 days	236 480	199 354
> 150 days	996 415	1 042 963
	2 489 803	**2 274 665**

Refuse		
Current (0 -30 days)	284 991	226 324
31 - 60 days	197 355	148 438
61 - 90 days	178 808	139 514
91 - 120 days	170 880	132 581
121 - 150 days	161 214	124 516
> 150 days	566 810	670 386
	1 560 058	**1 441 759**

Housing rental		
Current (0 -30 days)	45 838	22 727
31 - 60 days	25 454	17 033
61 - 90 days	15 538	101 456
91 - 120 days	12 499	16 816
121 - 150 days	10 838	16 460
> 150 days	351 094	670 552
	461 261	**845 044**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1 911 757	1 859 447
31 - 60 days	985 704	828 162
61 - 90 days	804 327	730 373
91 - 120 days	738 605	710 374
121 - 150 days	756 854	692 200
> 150 days	25 117 213	8 490 559
	30 314 460	**13 311 115**
Industrial/ commercial		
Current (0 -30 days)	1 602 297	1 305 116
31 - 60 days	848 805	442 108
61 - 90 days	692 318	337 049
91 - 120 days	514 411	686 843
121 - 150 days	390 342	154 234
> 150 days	5 087 999	11 803 015
	9 136 172	**14 728 365**
National and provincial government		
Current (0 -30 days)	371 558	407 728
31 - 60 days	116 536	296 502
61 - 90 days	62 944	250 010
91 - 120 days	63 381	149 950
121 - 150 days	141 838	144 612
> 150 days	1 587 977	3 629 630
	2 344 234	**4 878 432**
Total		
Current (0 -30 days)	3 885 613	3 572 291
31 - 60 days	1 951 044	1 566 772
61 - 90 days	1 559 589	1 317 432
91 - 120 days	1 316 396	1 547 167
121 - 150 days	1 289 035	991 046
> 150 days	31 793 191	23 923 204
	41 794 868	32 917 912
Less: Allowance for impairment	(28 921 857)	(21 557 938)
	12 873 011	**11 359 974**
Less: Allowance for impairment		
Current (0 -30 days)	(129 419)	(206 051)
31 - 60 days	(86 540)	(200 197)
61 - 90 days	(80 321)	(202 100)
91 - 120 days	(86 177)	(260 691)
121 - 150 days	(97 961)	(247 245)
> 150 days	(28 441 439)	(20 441 654)
	(28 921 857)	**(21 557 938)**
Total debtor past due but not impaired		
Current (0 -30 days)	3 756 193	2 848 982
31 - 60 days	1 864 504	1 167 803
61 - 90 days	1 479 268	946 199

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

91 - 120 days	1 230 219	1 121 964
121 - 150 days	1 191 076	592 676
> 150 days	3 351 751	4 682 350
	12 873 011	**11 359 974**

Reconciliation of allowance for impairment

Balance at beginning of the year	(21 557 938)	(20 107 221)
Contributions to allowance	(7 363 919)	(1 450 717)
	(28 921 857)	**(21 557 938)**

Credit quality of consumer debtors

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

13. Receivables from non-exchange transactions disclosure

Gross balances		
Consumer debtors - Rates	18 025 787	11 115 915
Less: Allowance for impairment		
Consumer debtors - Rates	(12 141 296)	(7 548 271)
Net balance		
Consumer debtors - Rates	5 884 491	3 567 644

Rates

Current (0 -30 days)	711 646	508 389
31 - 60 days	180 053	189 524
61 - 90 days	131 025	159 400
91 - 120 days	106 007	146 327
121 - 150 days	84 229	130 321
> 150 days	4 671 531	2 433 683
	5 884 491	**3 567 644**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 900	4 900
Bank balances	1 210 482	2 539 514
Short-term deposits	2 084 956	1 677 618
	3 300 338	**4 222 032**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng.	1 520 000	1 520 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Cheque account : 810142227	2 932 177	2 539 512	4 572 750	1 210 482	2 539 512	4 644 678
ABSA Bank - Money Market account	1 649 999	1 520 000	1 705 852	1 649 999	1 520 000	1 705 852
ABSA Bank - Investment account : 9310197560	163 132	73 543	-	163 132	73 543	-
FNB - Investment account : 62578401186	147 690	84 077	-	147 690	84 077	-
STD BANK - Investment account - 398478066(003)	124 135	-	-	124 135	-	-
Total	**5 017 133**	**4 217 132**	**6 278 602**	**3 295 438**	**4 217 132**	**6 350 530**

15. Finance lease obligation

Minimum lease payments due		
- within one year	606 921	710 648
- in second to fifth year inclusive	5 780	599 986
	612 701	1 310 634
less: future finance charges	(33 970)	(127 008)
Present value of minimum lease payments	**578 731**	**1 183 626**

Present value of minimum lease payments due		
- within one year	573 220	616 416
- in second to fifth year inclusive	5 511	567 210
	578 731	**1 183 626**

Non-current liabilities	5 511	567 210
Current liabilities	573 220	616 416
	578 731	**1 183 626**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 24 months and the average effective borrowing rate was 11% (2016: 11%).

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 201 028	5 868 143
EEDSM Grant	-	1 639 440
Regional Bulk Infrastructure Grant	-	328 320
	7 201 028	**7 835 903**

See note 27 for reconciliation of grants from National/Provincial Government.

A rollover has been applied for the unspent conditional grant.

17. Other financial liabilities

At amortised cost		
Annuity loans The annuity loan comprises a DBSA loan. The endowments are made on a six monthly basis. The last loan will be redeemed on 31 December 2024. The loan carries interest at 11.9% per annum.	10 780 991	10 550 465
Non-current liabilities		
At amortised cost	8 908 282	9 776 932
Current liabilities		
At amortised cost	1 872 709	773 533

Defaults and breaches

A payment of R1 004 059.55 was due to DBSA on 30 June 2017 but was defaulted on. This amount was settled after year end. The payment consisted of R402 386.19 capital and R601 673.36 interest.

Figures in Rand	2017	2016

18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Unwinding of provision	Change in discount factor	Total
Environmental rehabilitation	8 789 734	844 585	26 391	9 660 710

Reconciliation of provisions - 2016

	Opening Balance	Unwinding of provision	Change in discount factor	Total
Environmental rehabilitation	13 062 381	785 970	(5 058 617)	8 789 734

Borrow pits - The provision relates to the estiamted future rehabilitation costs relating to two open borrow pits in Bultfontein. The total area of the borrow pits to be rehabilitated is 9 929 square meters. The expected date of rehabilitation is in 2020 and therefore the expected remaining useful life is estimated at 4 years as at the beginning of the period. The useful life and expected date of rehabilitation could decrease depending on the extent of material needed for upcoming developments. The current weighted average cost of borrowings of the municiplity is 9.58% and this percentage was used as discount factor in future rehabilitation costs.

Landfill sites - The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively. The expected date of rehabilitation is in 2030 for the Bultfontein site and 2030 for the Hoopstad site, and therefore the expected remaining useful life is estimated at 14 years as at the beginning of the period . It is assumed that the current population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings of the municipality is 9.58% and this percentage was used as discount factor in future rehabilitation costs. The evaluation of rehabilitation procedures and costs was performed by DB Grobler (Prof. Associated valuer & Appraiser reg No 2311).

19. Payables from exchange transactions

	2017	2016
Accrued bonus	1 478 383	1 916 690
Accrued leave pay	8 603 383	7 456 654
Cash suspense account	3 424 005	1 470 044
Deposits received	23 822	44 596
Payments received in advanced	857 056	1 075 162
Retention payables	5 378 169	3 841 740
Salary control account	3 055 369	2 456 344
Trade payables	33 827 449	7 874 615
	56 647 636	**26 135 845**

20. Consumer deposits

	2017	2016
Electricity	768 542	665 488
Water	282 400	267 254
	1 050 942	**932 742**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Revenue

Service charges	48 518 267	43 199 192
Rental of facilities and equipment	757 714	747 718
Interest received (trading)	702 438	1 604 096
Business licence applications	28 088	65 500
Recoveries	225 675	-
Other income - (rollup)	909 313	1 050 789
Interest received - investment	619 576	1 133 161
Dividends received	19 722	49 420
Property rates	15 853 885	15 085 482
Government grants & subsidies	96 362 797	101 788 322
Fines, Penalties and Forfeits	273 700	300 900
	164 271 175	**165 024 580**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	48 518 267	43 199 192
Rental of facilities and equipment	757 714	747 718
Interest received (trading)	702 438	1 604 096
Business licence applications	28 088	65 500
Recoveries	225 675	-
Other income - (rollup)	909 313	1 050 789
Interest received - investment	619 576	1 133 161
Dividends received	19 722	49 420
	51 780 793	**47 849 876**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15 853 885	15 085 482
Transfer revenue		
Government grants & subsidies	96 362 797	101 788 322
Fines, Penalties and Forfeits	273 700	300 900
	112 490 382	**117 174 704**

Interest received from trading - During the current financial year the municipality changed accounting systems which resulted in a delay to deliver customer account statements. No interest was thus charged on customer accounts from January 2017 to June 2017. The estimated decline in revenue as a result of the above amounts to R702 438. This was approved by Council after year end.

22. Service charges

Sale of electricity	31 318 621	26 360 677
Sale of water	5 842 554	6 127 340
Sewerage and sanitation charges	6 830 603	6 426 819
Refuse removal	4 526 489	4 284 356
	48 518 267	**43 199 192**

23. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	751 947	740 080
Rental of equipment	5 767	7 638
	757 714	**747 718**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. Other income

Building plan fees	16 025	15 836
Commission received	79 890	80 123
Connection fees	66 617	190 788
Donations	17 791	61 832
Grave fees	232 137	244 333
Gravel sales	16 334	12 980
Insurance revenue	131 483	78 044
Late payment penalty	54 876	218 566
SETA	157 554	-
Meter tampering fee	10 526	6 726
Special meter reading	21 865	8 979
Sundry income	104 215	132 582
	909 313	**1 050 789**

Included in sundry income is private calls, rate certificates, sale of tender documents, photo copies and lost books.

25. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	19 722	49 420
Interest revenue		
ABSA Call Account	186 537	225 102
Interest Call Account	407 836	824 119
Interest received - other	25 203	83 940
	619 576	**1 133 161**
	639 298	**1 182 581**

26. Property rates

Rates received

Property rates	15 853 885	15 085 482

Figures in Rand	2017	2016

27. Government grants and subsidies

Capital and Operating grants

Equitable share	59 589 000	62 570 000
Municipal Infrastructure Grant	9 492 115	16 554 305
Municipal Systems Improvement Grant	-	930 000
Skills Development Grant	-	77 449
Financial Management Grant	1 825 000	1 800 000
EPWP Goverment Grant (operating)	1 000 000	1 073 000
INEP Grant	-	917 528
ACIP	-	5 000 000
Regional Bulk Infrastructure Grant	22 703 642	10 879 080
Lejweleputswa Grant	113 600	126 400
EEDSM Grant	1 639 440	1 360 560
Provincial Treasury Support Grant	-	500 000
	96 362 797	**101 788 322**

Equitable Share

The municipality received only R54 678 000 as Equitable Share in the 2016/2017 financial year compared to the gazetted amount of R59 589 000. R4 911 000 was withheld due to the municipality utilising MIG during 2015/2016 for operational expenditure.

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	5 868 143	9 907 057
Current-year receipts	15 736 000	12 515 391
Conditions met - transferred to revenue	(9 492 115)	(16 554 305)
Transferred to Equitable share	(4 911 000)	-
	7 201 028	**5 868 143**

Conditions still to be met - remain liabilities (see note 16).

R4 911 000 of current year receipts was transferred to Equitable Share. The aforementioned amount was withheld from the Equitable Share as a result of the MIG spending, which was not done in accordance with the DoRA conditions.

The municipality has applied for a roll over for the unspent portion of the grant.

Municipal Systems Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	**-**

Skills Development Grant

Current-year receipts	-	77 449
Conditions met - transferred to revenue	-	(77 449)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. Government grants and subsidies (continued)

Financial Management Grant

Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
	-	-

EPWP Government Grant

Current-year receipts	1 000 000	1 073 000
Conditions met - transferred to revenue	(1 000 000)	(1 073 000)
	-	-

INEP Grant

Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(917 528)
Conditions met - transferred to capital expenditure	-	(582 472)
	-	-

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	1 639 440	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(1 639 440)	(1 360 560)
	-	**1 639 440**

Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	328 320	-
Current-year receipts	22 375 322	11 207 400
Conditions met - transferred to revenue	(22 703 642)	(10 879 080)
	-	**328 320**

Lejweleputswa

Current-year receipts	113 600	126 400
Conditions met - transferred to revenue	(113 600)	(126 400)
	-	-

Provincial Treasury Support Grant

Current-year receipts	-	500 000
Conditions met - transferred to revenue	-	(500 000)
	-	-

ACIP

Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Employee related costs

Basic	32 138 112	30 976 278
Medical aid - company contributions	3 660 617	3 445 377
UIF	352 896	340 488
Workmens Compensation	528 494	565 356
SDL	485 735	468 960
Leave pay provision charge	2 830 505	3 495 243
Defined contribution plans	5 821 290	5 717 130
Travel, motor car, accommodation, subsistence and other allowances	3 335 687	3 539 389
Overtime payments	2 348 664	2 466 477
Long-service awards	179 689	141 955
Pro-rata bonusses	277 060	24 755
Housing benefits and allowances	34 874	17 499
Actuarial gains / losses	(1 037 580)	(1 644 692)
Other short term costs	21 588	21 678
Cellphone allowance	161 260	111 820
Standby allowance	787 259	872 081
	51 926 150	**50 559 794**

Remuneration of Municipal Manager (TL Mkhwane)(9 months)

Annual Remuneration	925 887	1 098 890
Car Allowance	80 741	104 905
Performance Bonuses	-	191 679
Contributions to UIF, Medical and Pension Funds	211 949	262 814
Other	381 809	144 779
	1 600 386	**1 803 067**

Remuneration of Chief Financial Officer (NL Moletsane)

Annual Remuneration	909 180	857 712
Car Allowance	142 770	136 417
Performance Bonuses	-	135 772
Contributions to UIF, Medical and Pension Funds	49 785	45 196
Other	131 509	176 940
	1 233 244	**1 352 037**

Remuneration of Director Corporate Services (SS Rabanye)

Annual Remuneration	796 120	751 062
Car Allowance	113 224	107 604
Performance Bonuses	-	135 772
Contributions to UIF, Medical and Pension Funds	192 391	180 659
Other	29 577	93 890
	1 131 312	**1 268 987**

Remuneration of Director Technical Services (BP Dikoko)

Annual Remuneration	810 953	765 050
Car Allowance	92 416	89 149
Performance Bonuses	-	116 376
Contributions to UIF, Medical and Pension Funds	198 366	185 126
Other	62 352	172 611
	1 164 087	**1 328 312**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Employee related costs (continued)

Remuneration of Director Community Services (ZK Tindleni)

Annual Remuneration	811 135	765 219
Car Allowance	110 090	104 854
Performance Bonuses	-	135 772
Contributions to UIF, Medical and Pension Funds	180 510	169 252
Other	72 561	210 147
	1 174 296	**1 385 244**

Remuneration of Municipal Manager (MRE Mogopodi)(3 months)

Annual Remuneration	96 858	-
Car Allowance	16 000	-
Contributions to UIF, Medical and Pension Funds	26 933	-
Other	15 920	-
	155 711	**-**

Figures in Rand	2017	2016

29. Remuneration of councillors

	2017	2016
Councillors	4 141 146	3 845 247
SDL	39 108	36 858
Medical aid contributions	267 756	272 160
Pension fund contributions	334 749	509 198
	4 782 759	**4 663 463**

In-kind benefits

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

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

2017	Annual remuneration	Travel allowance	Medical aid	Pension	Cell and data	Total
Mayor - ME Mathiba	62 033	-	5 668	7 345	2 982	78 028
Mayor - FT Matsholo	602 790	-	19 147	-	23 530	645 467
Speaker - TA Matlakala	49 528	-	4 711	5 865	2 982	63 086
Speaker - MW Raseu	416 836	-	38 397	61 361	26 400	542 994
Part time EXCO member - PP Moalosi	24 229	-	5 037	2 869	2 982	35 117
Part time EXCO member - C Horn	242 159	-	26 184	23 357	26 400	318 100
Part time EXCO member - MB Baleni	231 262	-	25 973	33 237	26 400	316 872
Chairperson Sec 79 committee - TT Taedi	222 788	-	36 037	21 067	26 400	306 292
Part time councillor - MS Bonokwane	170 657	-	26 241	25 599	26 400	248 897
Part time councillor - MA Monei	178 377	-	-	19 627	23 530	221 534
Part time councillor - MM Snyer	191 728	-	5 997	-	23 530	221 255
Part time councillor - DA Njodina	179 133	-	26 241	17 123	26 400	248 897
Part time councillor - MJ Ngexe	20 425	-	-	2 418	2 982	25 825
Part time councillor - MJ Taljaard	20 200	-	1 933	2 418	2 982	27 533
Part time councillor - BP Eseu	193 475	-	-	29 021	26 400	248 896
Part time councillor - KR Phukuntsi	18 355	2 380	-	2 108	2 712	25 555
Part time councillor - EC Joubert	193 475	-	-	29 021	26 400	248 896
Part time councillor - MG Segopolo	183 819	-	-	21 494	23 530	228 843
Part time councillor - TZ Sethuntsa	20 425	-	-	2 366	2 982	25 773
Part time councillor - TA Soaisa	197 725	-	-	-	23 530	221 255
Part time councillor - MJ Mgciya	168 335	-	12 939	18 427	23 530	223 231
Part time councillor - MB Mohlabakoe	154 499	-	33 253	10 023	23 530	221 305
	3 742 253	**2 380**	**267 758**	**334 746**	**396 514**	**4 743 651**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Finance costs

Non-current borrowings	1 234 586	1 321 320
Trade and other payables	1 031 691	6 937
Finance leases	94 446	145 630
Unwinding costs on provisions	1 571 763	1 088 552
	3 932 486	**2 562 439**

31. Debt impairment

Debt impairment - other receivables	2 027 292	9 060
Debt impairment - consumer debtors	11 087 968	7 521 695
	13 115 260	**7 530 755**

32. Repairs and maintenance

Community assets	352 181	188 089
Other property, plant and equipment	502 461	711 591
Infrastructure - Networks	1 898 009	1 704 485
Infrastructure - Roads	1 889 047	1 845 498
Infrastructure - Fencing	24 028	16 332
Infrastructure - Electricity	449 822	311 899
Infrastructure - Sanitation and refuse	2 130 056	1 176 693
Infrastructure - Water	536 381	505 238
	7 781 985	**6 459 825**

Attributable to:		
Continuing operations	7 781 985	6 459 825

33. Bulk purchases

Electricity	32 039 898	29 776 843
Water	2 103 930	2 505 261
	34 143 828	**32 282 104**

Electricity losses 2016/2017. Losses are currently calculated at 12.88%.
Electricity losses 2015/2016. Losses were calculated at 17.79%.

Water losses 2016/2017. Losses are currently calculated at 13.00%.
Water losses 2015/2016. Losses were calculated at 27.14%

34. Contracted services

Operating Leases	38 448	27 190

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

35. General expenses

Advertising	256 232	161 226
Audit committee	75 172	62 896
Auditors remuneration	2 870 215	2 889 861
Bank charges	245 406	285 633
Cleaning	79 386	78 244
Community development and training	84 520	62 990
Computer expenses	480 190	415 734
Consulting and professional fees	3 793 466	2 091 136
Consumables	5 696	179 576
Entertainment	184 940	93 642
Fines	-	19 164
Fuel and oil	1 873 262	1 659 664
Insurance	597 397	433 224
Motor vehicle expenses	174 973	58 314
Operating grant expenditure	5 489 770	5 866 157
Other expenses	10 076 306	8 653 933
Printing and stationery	827 092	1 116 317
Protective clothing	246 319	279 653
Radio and television licenses	-	930
Royalties and license fees	1 414 890	392 049
Sewerage assessment (Green Drop)	377 148	60 586
Software expenses	7 439	3 719
Subscriptions and membership fees	1 960 701	1 491 597
Telephone and fax	779 817	748 798
Training	387 139	599 275
Travel - local	726 529	633 956
Water quality assessment (Blue Drop)	55 559	248 631
	33 069 564	**28 586 905**

Included in other expenses are the following material expenses:

Purification costs	2 002 478	1 551 151
Free basic services	5 885 036	6 000 525
MSCOA implementation expenses	1 034 621	-
	8 922 135	**7 551 676**

36. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	(2 303 038)	919 928

37. Fair value adjustments

Other financial assets		
• Other financial assets (Designated as at FV through P&L)	4 607	(23 540)

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. Cash generated from operations

(Deficit) surplus	(20 193 850)	761 963
Adjustments for:		
Depreciation and amortisation	26 782 988	26 178 821
Gain (loss) on sale of assets and liabilities	2 437 128	(1 749 866)
Fair value adjustments	(4 607)	23 540
Finance costs - Finance leases	94 446	145 630
Debt impairment	13 115 260	7 530 755
Movements in retirement benefit assets and liabilities	(726 310)	(1 161 692)
Movements in provisions	870 976	(4 161 415)
Changes in working capital:		
Inventories	49 474	(140 530)
Other receivables from exchange transactions	(12 632)	(395 411)
Consumer debtors	(14 628 297)	(7 232 671)
Other receivables from non-exchange transactions	(2 316 847)	624 034
Payables from exchange transactions	30 511 786	2 109 843
VAT	(3 109 109)	3 824 724
Unspent conditional grants and receipts	(634 875)	(2 071 154)
Consumer deposits	118 200	149 280
	32 353 731	**24 435 851**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29 483 728	25 466 018
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	36 456 463	69 907 539
Total capital commitments		
Already contracted for but not provided for	29 483 728	25 466 018
Not yet contracted for and authorised by accounting officer	36 456 463	69 907 539
	65 940 191	**95 373 557**

Authorised operational expenditure

Already contracted for but not provided for		
• Operational contracts	2 346 950	6 075 109
• Operational orders	1 192 916	824 283
	3 539 866	**6 899 392**
Not yet contracted for and authorised by accounting officer		
• Operational contracts	-	10 000 000
Total operational commitments		
Already contracted for but not provided for	3 539 866	6 899 392
Not yet contracted for and authorised by accounting officer	-	10 000 000
	3 539 866	**16 899 392**

Total commitments

Total commitments		
Authorised capital expenditure	65 940 191	95 373 557
Authorised operational expenditure	3 539 866	16 899 392
	69 480 057	**112 272 949**

This committed expenditure relates to property and other expenditure. It will be financed by available bank facilities, retained surpluses, cash resources, funds internally generated and grants.

All capital commitments at year-end relate to grant funding as gazetted in the DoRA and other correspondences for up to three years. Operational commitments are for a period within one year, with the exception of the following that the municipality entered into:

1) Compilation of General Valuation Roll and supplementary valuation roll for the period 2017/2018 to 2020/2021

2) Cash-in-transit services for three years to April 2019

40. Contingencies

The municpality has the following contingent liabilities for the 2016/2017 financial year:

The municipality is currently in dispute with the Department of Water Affairs (DWA) over the amount charged for the provision of water to the municipality. DWA is of the opinion that the Municipality owes them R5 028 977, however the Municipality is disputing this amount on the basis that the quantity of water that the DWA presumably supplied to the municipality exceeds the capacity of the Municipality's dams. From November 2008 the Municipality's water was officially supplied by Sandvet water users associations, however the municipality was still receiving invoices from the DWA subsequent to November 2008.

Hinterland vs Tswelopele Local Municipality - On 1 July 2016 a municipal vehicle collided with a Hinterland vehicle in President Swart Street. The matter is still pending and the contingent amount is R7 718.46.

Down Touch vs Tswelopele Local Municipality - The dispute relates to a 1.5km piece of road were a concession was signed. No payment was made by the Municipality. The matter is still pending and the contingent amount is R871 000 plus interest.

Izak Wannenberg vs Tswelopele Local Municipality and Gabriel April Landman - The matter relates to damage caused to the vehicle of Mr Izak Wannenberg. The matter is still pending and the contingent amount is R205 591.40 plus interest.

The municiplity is currently in dispute with Sebata, over amounts charged with regards to service rendered. The amount under dispute is R332 766.77.

During the current financial year the municipality resolved to change the employment contracts of all the Directors from a permanent employment contract to a 5 year contract. Director SS Rabanye and Director ZK Tindleni are in dispute with the municipality over the aforementioned. No resolution at year end and the dispute was taken to the Bargaining Council.

Figures in Rand	2017	2016

41. Related parties

Relationships	
Related entities	TL Mkhwane (Municipal Manager) Tsotang Investments - Reg number 2007/010261/07 MRE Mogopodi (Municipal Manager) Capricon Property Development and Management - Reg number 2016/378562/07 ZK Tindleni (Director Community Services) Mabuzi Trading - Reg number 2005/174903/23 Venida Consultancy - Reg number 2006/118473/23 Kuimba - Reg number 2007/067140/23 Thimizo Training and Projects - Reg number 2008/027627/23 Venidoa Trading - Reg number 2008/129811/23 NL Moletsane (CFO) MDJ Entertainment - Reg number 2009/020357/23 KNTLD Trading - Reg number 2007/038077/23 BP Dikoko (Director Technical Services) Thokgamo Consulting - Reg number 2010/050478/23
Members of key management	MRE Mogopodi (Municipal Manager) NL Moletsane (CFO) SS Rabanye (Director Corporate Services) PB Dikoko (Director Technical Services) ZK Tindleni (Director Community Services)

The municipality did not do business with any of the above mentioned related entities during the current financial year.

Related party balances

	2017	2016
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Councillor C Horn	215	65 270

Related party transactions

	2017	2016
Rent paid to (received from) related parties		
Councillor C Horn	(13 383)	(13 383)

Councillor C Horn is currently leasing 2 land facilities from the municipality for R4 940.70 and R1 750.60 (Bi-anually). Camp 4 and Camp 9.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

42. Prior period errors

The following prior period errors occurred:

1. Consumer debtor write offs - Consumer debtor write offs for 2014/2015 and 2015/2016 were written off in the 2016/2017 financial year. This was corrected against the prior year's provisions for bad debts which already included the bad debt. Only the VAT portion had to be corrected.

2. Correction of 2016 Workmens Compensation expenditure which was only paid in the 2017 financial year - During the current financial year the WCA that was due on 30 June 2016 was paid.

3. Correction of 2015 provision for doubtful debt - Balances already written off in 2015 were included in the 2015 provision for doubtful debt.

4. Free basic water - Reclassification of the free basic water expense recorded under the revenue account

5. Reclassification of interest paid account reflected under general expenses in the 2016 financial year.

6. Reclassification of repairs and maintenace was done for prior year figures to correct expense accounts.

Statement of financial position		
(1) VAT Receivable	788 946	788 946
(1) Accumulated surplus / (deficit)	(788 946)	-
(2) Trade and other payables	(565 356)	(565 356)
(2) Accumulated surplus / (deficit)	565 356	-
(3) Accumulated surplus / (deficit)	-	(6 671 411)

Statement of Financial Performance		
(1) Debt Impairment	-	(788 946)
(2) Employee related costs	-	565 356
(3) Debt Impairment	-	6 671 411
(4) Service charges - Water	-	(1 026 991)
(4) General expenses	-	1 026 991
(5) Finance costs	-	6 937
(5) General expenses	-	(6 937)
(6) Repairs and maintenance	-	(292 020)
(6) General expenses	-	292 020

7 . During the financial year, the municipality embarked on full assessment of all immovable assets under its control. During this assessment, the following significant issues were identified, and where required, the financial statements were restated to reflect these changes.

7.1 Assets were identified which were previously omitted from the asset register. The recognition of these assets had the following impact on the financial records:

Property, Plant and Equipment		
Infrastructure assets - Cost	91 300 936	91 300 936
Infrastructure - Accumulated depreciation	(43 033 063)	(43 033 063)
Community assets - Cost	50 307 061	50 307 061
Community assets - Accumulated depreciation	(20 062 790)	(20 062 790)
Other property, plant and equipment - Cost	11 937 676	11 937 676
Other property, plant and equipment - Accumulated depreciation	(6 088 281)	(6 088 281)
Accumulated surplus / (deficit)	(84 361 539)	(84 361 539)
Infrastructure - Accumulated depreciation	(2 423 401)	(2 423 401)
Community assets - Accumulated depreciation	(1 497 519)	(1 497 519)
Other property, plant and equipment - Accumulated depreciation	(1 012 077)	(1 012 077)
Depreciation expense	-	4 932 997
Accumulated surplus / (deficit)	4 932 997	-
	-	-

Figures in Rand	2017	2016

42. Prior period errors (continued)

7.2 As a result of the full verification of the fixed asset register the following assets were derecognised. The derecognition of these assets had the following impact on the financial records:

Property, Plant and Equipment		
Infrastructure - Cost	(19 583 603)	(19 583 603)
Infrastructure - Accumulated depreciation	4 555 707	4 555 707
Community assets - Cost	(22 910 296)	(22 910 296)
Community assets - Accumulated depreciation	5 155 764	5 155 764
Other property, plant and equipment - Cost	(179 739)	(179 739)
Other property, plant and equipment - Accumulated depreciation	78 098	78 098
Accumulated surplus / (deficit)	32 884 069	32 884 069
Infrastructure - Accumulated depreciation	2 107 860	2 107 860
Community assets - Accumulated depreciation	1 970 583	1 970 583
Other property, plant and equipment - Accumulated depreciation	45 593	45 593
Depreciation expense	-	(4 124 036)
Accumulated surplus / (deficit)	(4 124 036)	-
	-	-

7.3 During the assessment of the municipal assets and supporting asset register, the following cost corrections as well as depreciation corrections were done:

Property, Plant and Equipment		
Infrastructure - Cost	(94 901 918)	(94 901 918)
Infrastructure - Accumulated depreciation	24 776 420	24 776 420
Infrastructure - Cost	253 516 451	253 516 451
Infrastructure - Accumulated depreciation	(116 861 718)	(116 861 718)
Community assets - Cost	(6 751 785)	(6 751 785)
Community assets - Accumulated depreciation	2 836 337	2 836 337
Community assets - Cost	10 754 626	10 754 626
Community assets - Accumulated depreciation	(5 139 630)	(5 139 630)
Infrastructure - Accumulated depreciation	(14 673 093)	(14 673 093)
Community assets - Accumulated depreciation	(660 004)	(660 004)
Other property, plant and equipment - Accumulated depreciation	1 983 792	1 983 792
Accumulated surplus / (deficit)	(54 879 478)	(54 879 478)
Infrastructure - Accumulated depreciation	5 269 938	5 269 938
Infrastructure - Accumulated depreciation	(5 740 815)	(5 740 815)
Infrastructure - Accumulated depreciation	8 104 795	8 104 795
Community assets - Accumulated depreciation	362 600	362 600
Community assets - Accumulated depreciation	(299 214)	(299 214)
Community assets - Accumulated depreciation	3 973 738	3 973 738
Other property, plant and equipment - Accumulated depreciation	1 053 278	1 053 278
Depreciation expense	-	(12 724 320)
Accumulated surplus / (deficit)	(12 724 320)	-
	-	-

7.4 Correction of disposals

During the review of the fixed asset register it was found that the disposal of some assets were incorrect, the impact on the financial statements were as follow:

Infrastructure - Cost	129 177	129 177
Infrastructure - Accumulated depreciation	(82 685)	(82 685)
Gains on sale of assets	-	(46 492)
Accumulated surplus / (deficit)	(46 492)	-
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

42. Prior period errors (continued)

8. Reclassification of assets

8.1 During the financial year, the municipality embarked on full assessment of all immovable assets under its control. During this assessment it was identified that the assets were not consistently categorised and recognised with the same class of assets. The following reclassification of assets were required to ensure consistent recognition and reporting of the assets under the control of the municipality:

	Land	Community assets	Other property
Community assets costs reclassified from land costs	(9 127 734)	9 127 734	-
Community assets accumulated depreciation reclassified from land accumulated depreciation	2 058 890	(2 058 890)	-
Community assets cost reclassified from Other property cost	-	34 474 584	(34 474 584)
Community assets accumulated depreciation reclassified from Other property accumulated depreciation	-	(15 012 126)	15 012 126
Community assets costs reclassified from land costs	4 495 199	(4 495 199)	-
Community assets accumulated depreciation reclassified from land accumulated depreciation	171 577	(171 577)	-
	(2 402 068)	**21 864 526**	**(19 462 458)**

Notes to the Annual Financial Statements

43. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 012 179	2 008 119	6 024 357	5 020 298
Derivative financial instruments	573 220	5 511	-	-
Trade and other payables	36 702 474	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2 008 119	2 008 119	6 024 357	7 028 417
Derivative financial instruments	616 416	567 210	-	-
Trade and other payables	10 330 959	-	-	-

Credit risk

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

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

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future, as the market prices were already altered in the current financial year.

Notes to the Annual Financial Statements

Figures in Rand

43. Risk management (continued)

Interest rate risk

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

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA	11,90 %	1 741 143	1 033 064	915 648	779 016	1 416 766

44. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. It is also dependent on National Treasury transferring all the grants as per the Division of Revenue for 2017.

We draw attention to the fact that at the end of the reporting period, the municipality had a deficit of R20 193 850, and that the municipality's current liabilities exceeded its current assets by R 39 658 304.

The municipality has requested assistance from the province.

45. Unauthorised expenditure

Figures in Rand	2017	2016
Opening balance	8 980 060	5 033 915
Unauthorised expenditure incurred	3 165 890	3 946 145
	12 145 950	**8 980 060**

An amount of R3 165 890 was incurred during the current financial year, this amount will be condoned by Council during its meeting where the annual report will be discussed.

46. Fruitless and wasteful expenditure

Figures in Rand	2017	2016
Opening balance	50 267	-
Add: Fruitless and wasteful expenditure - current year	1 150 175	109 045
Less: Amounts written off by Council	(325 295)	(58 778)
	875 147	**50 267**

The municipality incurred fruitless and wasteful expenditure to the value of R1 150 175 during the 2016/2017 financial year.

An amount of R275 028.27 of Fruitless and wasteful expenditure incurred during the 2016/17 financial year was written-off by Council on the 28th of June 2017 and an amount of R50 266.92 which was incurred in the 2015/16 financial year was written-off on the 27 July 2016.

An amount of R875 147 was written off by Council after year end.

Notes to the Annual Financial Statements

47. Irregular expenditure

Figures in Rand	2017	2016
Opening balance	16 668 465	12 759 282
Add: Irregular Expenditure - current year	4 606 238	4 698 122
Less: Amounts written off	(13 679 767)	(788 939)
	7 594 936	**16 668 465**

Amounts written off consist of R13 498 956 relating to prior years and R180 811 for the current year. An amount of R165 849 relating to the current year was written off after year end. The municipality procured goods and services through deviations from the normal procurement process to the value of R1 132 331 during the 2016/2017 financial year.

Figures in Rand	2017	2016
Details of Irregular Expenditure		
Strip and quote	805 401	273 775
Emergencies	-	827 981
Other	-	223 650
PPPFA	-	78 658
Conditional grant - prior year	1 616 942	-
Conditional grant	2 183 895	3 294 058
	4 606 238	**4 698 122**

48. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Figures in Rand	2017	2016
Current year subscription / fee	2 870 215	2 889 861
Amount paid - current year	(1 894 242)	(2 889 861)
	975 973	**-**

PAYE and UIF

Figures in Rand	2017	2016
Current year subscription / fee	7 689 244	7 299 607
Amount paid - current year	(6 436 623)	(6 732 844)
	1 252 621	**566 763**

Pension and Medical Aid Deductions

Figures in Rand	2017	2016
Current year subscription / fee	10 004 863	10 697 261
Amount paid - current year	(8 613 724)	(9 340 057)
	1 391 139	**1 357 204**

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

VAT

Figures in Rand	2017	2016
VAT receivable	4 371 123	1 262 014

Councillors' arrear consumer accounts

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount	Aging (in days)
Mayor - FT Matsholo	22 579	90
Councillor - EC Joubert	7 706	60
Councillor - MM Snyer	5 690	90
Councillor - MH Segopolo	3 905	90
	39 880	**330**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to recorded by the Municipal Manager and noted by Council.

49. Material non-compliance

Conditional grants were not always utilised as per grant conditions by the municipality.

Creditors were not paid within 30 days as per MFMA.

VAT returns were not submitted in line with the legislated time frames.

2015/2016 Annual Financial Statements were submitted late.

EMP 501's were not submitted in line with the legislated time frames.

MFMA Section 71 reports were not always submitted on time.

Figures in Rand	2017	2016

50. Budget differences

Material differences between budget and actual amounts

N1 - Service charges - More revenue was anticipated due to the increment on service charges, however, less customers were billed, Customers in Ext 7 and 8 are not being billed yet.

N2 - Rental of facilaties - Majority of investment property rentals came to an end during the current financial year and thus the uncertainty of whether these properties would be rented again resulted in the budgeted amount being less.

N3- Recoveries - Fruitless and wastefull expenditure recouped, this amount was not budgeted as there was uncertainty as to whether the amount would be recouped.

N4 - Other income - An amount of R178 000 was budgeted for to be received from SETA which was not. No cutt off lists were done for from January 2017 - June 2017 due to changes in the system and thus no connetion revenue.

N5 - Gains on disposals of assets - The municipality is in the process of disposing of land but the process is still ongoing on year end and thus not yet received.

N6 - Dividends received - Originally the incorrect amount was processed to the dividends received amount thus resulting in the incorrect budget amount of R210 000.

N7 - Property rates - There was a dispute with the local farmers about their property rates in the 2015/2016 financial year, an agreement was reached that they would pay their outstanding amount in the 2016/2017 financial year. To date they have not complied.

N8 - Government grants and subsidies received - Capital grants are not included as revenue in the operating budget, however in terms of GRAP 23, when the condition is met, the grant transferred must be recognised as revenue.Interest from external investments - More investments were made during the year than anticipated, Municipality received RBIG during the year which was not initially included in the budget of the Municipality.

N9 - Employee related costs - Municipality usually budgets for pension, medical and car allowance for employees that have those benefits when the budget is prepared, however, during the financial year, other employees may join medical aid and take out pension fund, which Municipality now becomes liable to contribute to, furthermore other employee may purchases cars (car allowance bearing position) and municipality must pay them car allowance in line with their condition of service, these issues are difficult to budget for considering the fact that our budget must not be in deficit.

N10 - Depreciation and amortisation - During the current financial year the FAR was reviewed and corrections applied that could not have been budgeted for.

N11 - Finance cost - The municipality did not budget for interest on finance leases, as well as the increase in the amount of interest payable to creditors.

N12 - Debt impairment - The large variance is due to the movement in the provision for doubtful debt which the municipality could not budget for.

N13 - Bulk purchases - This is due to high demand of both electricity and water and the increases in bulk resources.

N14 - General expenses - Municipality implemented cost containment measures during the year, hence a decrease in general expenses.

N15 - Loss on Biological assets - Due to the large fluctuation in market value for game, the fair value of game decreased materially, this was not budgeted for.

50. Budget differences (continued)

Changes from the approved budget to the final budget

Statement of fiancial performance

Rental of facilities and equipment - At mid-year, the municipality had collected 67% of the budgeted amount on rentals of community halls, thus the budged on rentals of community halls was increased by R5 000.00

Interest received (trading)- Due to system migration, the was uncertainty that the minucipality would be able to charge interest during the migration process and budgeted interest was reduced by R 100 000.00

Other income - (rollup) - Budget on Insurance revenue was increased by R 122 000.00 because 100% of the original Budget was realised during the 1st half the year.

Interest received - Investment - Two investments were redeemed earlier than anticipated at STD bank, thus the decreased in interest.

Dividends received - The incorrect amount was proccesed to the dividents received account resulting in the incorrect adjustment budget.

Property rates - The increase in the budget for property rates was as a result of the agreement between munucipality and the local farmers that they will pay their 2015/2016 outstanding amounts during 2016/2017 financial year.

Employee costs - The increase in the employee related costs is informed by the employees who joins the medical aid and pension fund during the year.

Remuneration of councillors - Remuneration of councillors is budgeted in terms of Remuneration of Public Office-bearers Act, 1998. The minister of COGTA determines the limit of salaries and allowances of members of council budget provisions must adhear to this framework.

Bulk purchases - Only 40% of bulk purchases was spent on electricity at mid-year, thus the budget was reduced by R 400 000.00

Other materials - 90% of the budgeted repairs and maintainance expenditure on Waste Water Management was spent at mid-year.

General expenses - The expendure for all other municipal expenses had already exceeded 50% and the municipality increased the budget by R 2.5 million in order to be avoid unneccesary overspending at year end.

Statement of financial position

Cash and cash equivalents - Reallocations within the budget

Other financial liabilities - Adjusting of interest on the DBSA loan.

Bank overdraft - Reallocations within the budget

Provisions - Provision for landfill site and retirement benefit was not budgeted for in the approved budget.

Appendix A: Schedule of External Loans

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2016	Received during the Period	Redeemed / Written off during Period	Balance at 30 June 2017	Other costs in accordance with MFMA
	R				R	R	R	R	R
ANNUITY LOANS									
DBSA	15 000 000	11.90%	61 000 141	2024.12.31	10 550 465	-	230 526	10 780 991	-
								-	
Total Annuity Loans	**15 000 000**				**10 550 465**	**-**	**230 526**	**10 780 991**	**-**

ANNUITY LOANS:
DBSA loan (61000141):
The endowments are made on a bi-annual basis. The last loan repayment will be made on 31 December 2024. The loan carries interest at an annual rate of 11.90%.

Note: The rates of interest payable on the above structured loans are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

Tswelopele Local Municipality
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Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation Opening Balance	Cost / Revaluation Additions	Cost / Revaluation Under Construction	Cost / Revaluation Disposals	Cost / Revaluation Closing Balance	Accumulated Depreciation / Impairment Opening Balance	Accumulated Depreciation / Impairment Additions	Accumulated Depreciation / Impairment Disposals	Accumulated Depreciation / Impairment Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
LAND AND BUILDINGS										
Land	32 452 138	-	-	-	32 452 138	-	-	-	-	32 452 138
Operational Buildings	41 464 194	218 250	-	-	41 682 444	19 570 556	1 315 617	-	20 886 173	20 796 271
Housing	1 937 692	-	-	-	1 937 692	1 275 336	58 022	-	1 333 358	604 334
Community Facilities	34 065 006	-	-	-	34 065 006	16 849 884	1 179 058	-	18 028 942	16 036 064
Sports and Recreational Facilities	123 170 700	3 197 577	966 430	-	127 334 707	44 943 771	4 274 349	-	49 218 120	78 116 587
Buildings	10 547 204	-	-	-	10 547 204	3 788 572	272 403	-	4 060 975	6 486 229
Solid Waste	4 632 535	26 392	-	-	4 658 927	2 230 467	183 917	-	2 414 384	2 244 543
Sub Total	**248 269 469**	**3 442 219**	**966 430**	**-**	**252 678 118**	**88 658 586**	**7 283 366**	**-**	**95 941 952**	**156 736 166**
INFRASTRUCTURE										
Sanitation network	166 533 890	-	-	-	166 533 890	79 715 395	4 410 097	-	84 125 492	82 408 398
Roads and Stormwater Network	178 700 690	-	5 835 359	-	184 536 049	87 066 541	5 664 618	-	92 731 159	91 804 890
Water Supply Network	181 578 228	31 742	89 659 851	(315 688)	270 954 133	83 925 243	4 440 119	(123 056)	88 242 306	182 711 827
Electricity Network	55 270 815	-	1 860 819	-	57 131 634	23 980 974	1 918 215	-	25 899 189	31 232 445
Solid Waste	3 624 172	-	-	-	3 624 172	647 264	75 777	-	723 041	2 901 131
Sub Total	**585 707 795**	**31 742**	**97 356 029**	**(315 688)**	**682 779 878**	**275 335 417**	**16 508 826**	**(123 056)**	**291 721 187**	**391 058 691**
LEASED ASSETS										
Leased Assets	1 510 683	12 463	-	-	1 523 146	462 719	502 714	-	965 433	557 713
Sub Total	**1 510 683**	**12 463**	**-**	**-**	**1 523 146**	**462 719**	**502 714**	**-**	**965 433**	**557 713**

Tswelopele Local Municipality

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Financial Statement for the year ended 30 June 2017

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
OTHER ASSETS										
Furniture and Office Equipment										
Furniture and Office Equipment	13 262 544	41 696	-	(365 705)	12 938 535	7 702 198	1 248 237	(206 183)	8 744 252	4 194 283
Computer Equipment	1 466 480	913 034	-	(201 880)	2 177 634	726 376	279 452	(102 250)	903 578	1 274 056
Commercial Carpet Washer	23 144	-	-	(13 500)	9 644	11 561	2 719	(7 881)	6 399	3 245
Kitchen Appliances	142 168	1 250	-	(3 631)	139 787	77 751	14 626	(2 234)	90 143	49 644
Motor Vehicles		-	-	-	-		-	-	-	-
Light Vehicles	459 768	-	-	-	459 768	55 434	31 527	-	86 961	372 807
Trucks	4 349 549	-	-	-	4 349 549	1 215 248	192 479	-	1 407 727	2 941 822
Trailer and Accessories	1 479 705	-	-	(37 700)	1 442 005	443 991	58 817	(11 584)	491 224	950 781
Motor Vehicles	2 580 714	160 695	-	-	2 741 409	671 561	146 472	-	818 033	1 923 376
Other Machinery and Equipment										
Network Equipment	5 944	-	-	-	5 944	2 278	616	-	2 894	3 050
Domestic Equipment	14 333	-	-	-	14 333	9 608	1 272	-	10 880	3 453
Music Instruments	24 370	-	-	(7 566)	16 804	12 264	1 462	(3 745)	9 981	6 823
Workshop Equipment and Loose Tools	167 561	-	-	-	167 561	103 736	16 423	-	120 159	47 402
Electric Wire and Power Distribution	291 602	5 395	-	(130 174)	166 823	165 836	24 470	(83 306)	107 000	59 823
Engines	3 583	-	-	-	3 583	131	322	-	453	3 130
Gardening Equipment	632 619	67 603	-	(101 048)	599 174	386 426	54 216	(68 708)	371 934	227 240
Pumps, Plumbing and Purification	178 036	-	-	(1 813)	176 223	97 837	14 006	(1 044)	110 799	65 424
Labroratory Equipment	41 512	-	-	(13 776)	27 736	18 154	2 236	(6 819)	13 571	14 165
Audio Visual Equipment	186 955	-	-	(39 147)	147 808	84 820	19 290	(17 967)	86 143	61 665
Security Equipment	104 276	-	-	(90 229)	14 047	33 423	13 328	(40 672)	6 079	7 968
Telecommunications Equipement	8 142	3 115	-	-	11 257	4 173	1 110	-	5 283	5 974
Laundry Equipment	1 509	-	-	-	1 509	906	129	-	1 035	474
Other Machinery and Equipment	86 405	194 555	-	(14 851)	266 109	49 387	23 708	(9 089)	64 006	202 103
Pheripherals	17 062	-	-	(17 062)	-	8 846	1 729	(10 575)	-	-
Sub Total	**25 527 981**	**1 387 343**	**-**	**(1 038 082)**	**25 877 242**	**11 881 945**	**2 148 646**	**(572 057)**	**13 458 534**	**12 418 708**
Total Property, Plant and Equipment	**861 015 928**	**4 873 767**	**98 322 459**	**(1 353 770)**	**962 858 384**	**376 338 667**	**26 443 552**	**(695 113)**	**402 087 106**	**560 771 278**

Appendix C: Segmental Analysis of Property, Plant and Equipment

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				
	Opening Balance	Additions	Under Construction	Disposals	Provision adjustments	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R		R	R	R	R	R	R
Budget & Teasury Department	1 614 657	42 433	-	(273 260)	-	1 383 830	617 889	329 597	(142 748)	804 738	579 092
Community Department	12 333	-	-	(12 333)	-	-	5 419	2 220	(7 639)	-	-
Community Services	764 434	24 366	-	(48 118)	-	740 682	350 084	144 720	(24 316)	470 488	270 194
Corporate Deparment	6 264	-	-	(470)	-	5 794	3 005	595	(285)	3 315	2 479
Corporate Services	745 457	18 549	-	(68 363)	-	695 643	290 895	165 099	(41 005)	414 989	280 654
Council	12 019 768	1 005 285	-	(12 600)	-	13 012 453	7 125 320	1 141 047	(6 125)	8 260 242	4 752 211
Council Property	166 829	-	-	(60 435)	-	106 394	54 449	22 909	(27 594)	49 764	56 630
Finance Department	91 182		-	(13 561)	-	77 621	26 944	15 216	(7 550)	34 610	43 011
General Council	594 943	-	-	(42 119)	-	552 824	94 215	52 786	(20 403)	126 598	426 226
Municipal Manager	602 315	53 337	-	(18 362)	-	637 290	232 791	112 511	(9 571)	335 731	301 559
Not Specified	836 620 772	3 473 961	98 322 459	(640 640)	-	937 776 552	365 076 263	24 045 014	(329 773)	388 791 504	548 985 048
Technical Services	7 776 973	255 836	-	(163 508)	-	7 869 301	2 461 390	411 842	(78 104)	2 795 128	5 074 173
Council (Investment Property)	23 876 000	-	-	-	-	23 876 000	1 018 300	339 433	-	1 357 733	22 518 267
Total	**884 891 927**	**4 873 767**	**98 322 459**	**(1 353 769)**	**-**	**986 734 384**	**377 356 964**	**26 782 989**	**(695 113)**	**403 444 840**	**583 289 544**

Appendix D: Segmental Statement of Financial Performance

2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)	Description	2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)
R	R	R		R	R	R
1 907 542	(13 482 169)	(11 574 628)	Executive and Council	878 225	(15 109 587)	(14 231 362)
85 280 374	(30 275 796)	55 004 578	Finance and Administration	82 698 040	(38 328 797)	44 369 243
527 085	(13 374 389)	(12 847 304)	Community and Social Services	511 324	(12 994 485)	(12 483 161)
614	(1 979 883)	(1 979 269)	Public Safety	-	(1 600 622)	(1 600 622)
2 699	(159 134)	(156 435)	Sport and Recreation	4 961	(50 185)	(45 224)
10 711 175	(24 743 318)	(14 032 143)	Waste Management	11 359 943	(24 719 390)	(13 359 447)
16 588 653	(37 993 883)	(21 405 230)	Roads and Transport	621 471	(38 090 898)	(37 469 427)
22 065 369	(12 931 679)	9 133 691	Water	28 574 882	(11 984 302)	16 590 579
29 057 199	(30 438 495)	(1 381 296)	Electricity	33 110 867	(35 075 296)	(1 964 429)
166 140 709	**(165 378 746)**	**761 963**	**Total**	**157 759 712**	**(177 953 562)**	**(20 193 850)**

Tswelopele Local Municipality
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Financial Statement for the year ended 30 June 2017

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Description	2016/2017 Actual	2016/2017 Budget	2016/2017 Variance	2016/2017 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	15 853 885	20 120 000	(4 266 115)	-21%	There was a dispute with local farmers abut their property rates in the 2015/2016 financial year, a resolution was reached that they will pay their outstanding amounts in the 2016/2017 financial year, to date they have not complied.
Fines	273 700	-	273 700	100%	More traffic fines were issued during the current financial year than anticipated.
Licences and Permits	28 088	60 000	(31 912)	100%	Immaterial revenue source and therefore not budgeted for.
Government Grants and Subsidies	96 362 797	62 464 000	33 898 797	54%	Capital grants are not included as revenue until the grant conditions have been met.
Service Charges	48 518 267	52 145 000	(3 626 733)	-7%	Fluctuation is below 10% is deemed acceptable.
Rental of Facilities and Equipment	757 714	434 000	323 714	75%	Majority of investment property rentals were coming to an end during the current financial year and thus not budgeted
Interest Earned - External investments	619 576	610 000	9 576	2%	Fluctuation is below 10% is deemed acceptable.
Interest Earned - Outstanding debtors	702 438	790 000	(87 562)	-11%	Fluctuation is below 10% is deemed acceptable.
Dividends Received	19 722	210 000	(190 278)	-91%	The dividends were budgeted for based on the management expectation and history, but due to the fact that there has been financial pressure on companies, the dividends declared were less in the current year.
Other Income	1 134 988	2 270 000	(1 135 012)	-50%	An amount of R178 000 was budgeted for to be received from SETA which was not. No cutt off lists were done for from January 2017 - June 2017 due to changes in the system and thus no connetion revenue.
Gains on Disposal of Property, Plant and Equipment	(2 432 521)	2 077 000	(4 509 521)	-217%	The municipality did not anticipate the large fluctuation in game values.
Total Revenue	**161 838 654**	**141 180 000**	**20 658 654**	**15%**	
EXPENDITURE					
Employee Related Costs	58 385 186	56 597 000	1 788 186	3%	Fluctuation is below 10% is deemed acceptable.
Remuneration of Councillors	4 782 759	5 715 000	(932 241)	-16%	The remuneration packages were less then expected.
Depreciation	26 782 988	19 669 000	7 113 988	36%	Management does not budget for "backlog" depreciation, which represents the depreciation effect that needs to be taken into account with the implementation of GRAP.
Impairment Losses	13 115 260	2 501 000	10 614 260	424%	The nett movement in the impairment provision was more then which was expected.
Repairs and Maintenance	7 781 985	7 508 000	273 985	4%	Fluctuation is below 10% is deemed acceptable.
Interest Paid	3 932 486	2 088 000	1 844 486	88%	Only DBSA loan is budgeted for under finance cost, however during the financial year the interest paid on the finance leases and the provision for the rehabilitation of the landfill site is accounted for as well as the interest accrued to outstanding creditors.
Bulk Purchases	34 143 828	30 900 000	3 243 828	10%	This is due to high demand of both electricity and water and the increases in bulk resources..
Contracted Services	38 448	650 000	(611 552)	-94%	Municipality implemented cost containment measures during the year, hence a decrease in contracted services.
General Expenses	33 069 564	37 391 000	(4 321 436)	-12%	Municipality implemented cost containment measures during the year, hence a decrease in general expenses.
Total Expenditure	**182 032 504**	**163 019 000**	**19 013 504**	**12%**	
NET SURPLUS / (DEFICIT) FOR THE YEAR	**(20 193 850)**	**(21 839 000)**	**1 645 150**	**-8%**	

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

Description	2016/2017 Actual	2016/2017 Under Construction	2016/2017 Total Additions	2016/2017 Budget	2016/2017 Variance	2016/2017 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	1 058 622	-	1 058 622	-	1 058 622	100%	
Budget and Treasury	42 433	-	42 433	-	42 433	100%	In certain cases the Municipality needed to procure assets in order to perform its day-today operations. These type of expenses were not originally budgeted for. In other cases, the Municipality budgeted for projects which did not start during the financial year and in other cases projects were not completed at yearend (as originally anticipated and planned).
Community and Social Services	24 366	-	24 366	-	24 366	100%	
Public Safety	-	-	-	-	-	0%	
Sports and Recreation	-	-	-	2 393 000	(2 393 000)	-100%	
Waste Management	-	-	-	-	-	0%	
Waste Water Management	-	-	-	6 478 000	(6 478 000)	-100%	
Road Transport	-	-	-	6 865 000	(6 865 000)	-100%	
Water	3 473 961	98 322 459	101 796 420	24 170 000	(20 696 039)	-86%	
Electricity	255 836	-	255 836	5 000 000	(4 744 164)	-95%	
Corporate Services	18 549	-	18 549	-	18 549	100%	
Total	**4 873 767**	**98 322 459**	**103 196 226**	**44 906 000**	**(40 032 233)**	**-89%**	

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

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total	Total		Yes / No	
Equitable Share	National	-	54 678 000	54 678 000	-	4 911 000	4 911 000	No	Non compliance
Municipal Infrastructure Grant	National	5 868 143	15 736 000	14 403 115	7 201 028	-	-	Yes	N/a
Financial Management Imrpovement Grant	National	-	1 825 000	1 825 000	-	-	-	Yes	N/a
Expanded Public Works Programme Grant	National	-	1 000 000	1 000 000	-	-	-	Yes	N/a
Regional Bulk Infrastructure Grant	National	328 320	22 375 322	22 703 642	-	-	-	Yes	N/a
Energy Efficiency Demand Grant	National	1 639 440	-	1 639 440	-	-	-	Yes	N/a
Lejweleputswa Grant	District	-	113 600	113 600	-	-	-	Yes	N/a
Total Grants and Subsidies Received		**7 835 903**	**95 727 922**	**96 362 797**	**7 201 028**	**4 911 000**			

Appendix G(1): Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	2017										2016
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD											
Governance and Administration:											
Executive and Council	6 128 000	-	6 128 000	-	6 128 000	878 225	-	5 249 775	14.33%	14.33%	1 907 542
Budget and Treasury Office	19 528 000	5 205 000	24 733 000	-	24 733 000	81 879 964	-	(57 146 964)	331.06%	419.30%	83 614 721
Corporate Services	457 000	-	457 000	-	457 000	818 076	-	(361 076)	179.01%	179.01%	1 665 652
Community and Public Safety:											
Community and Social Services	2 631 000	5 000	2 636 000	-	2 636 000	511 324	-	2 124 676	19.40%	19.43%	527 085
Sport and Recreation	2 403 000	-	2 403 000	-	2 403 000	4 961	-	2 398 039	0.21%	0.21%	2 699
Public Safety	1 925 000	(100 000)	1 825 000	-	1 825 000	-	-	1 825 000	-	-	614
Economic and Environmental Services:											
Road Transport	7 671 000	-	7 671 000	-	7 671 000	621 471	-	7 049 529	8.10%	8.10%	16 588 653
Trading Services:											
Electricity	56 744 000	-	56 744 000	-	56 744 000	33 110 867	-	23 633 133	58.35%	58.35%	29 057 199
Water	45 938 000	-	45 938 000	-	45 938 000	28 574 882	-	17 363 118	62.20%	62.20%	22 065 369
Waste Water Management	25 545 000	-	25 545 000	-	25 545 000	6 833 454	-	18 711 546	26.75%	26.75%	6 426 819
Waste Management	12 008 000	-	12 008 000	-	12 008 000	4 526 489	-	7 481 511	37.70%	37.70%	4 284 356
Total Revenue - Standard	**180 978 000**	**5 110 000**	**186 088 000**	**-**	**186 088 000**	**157 759 712**	**-**	**28 328 288**	**84.78%**	**87.17%**	**166 140 709**
EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	34 424 000	428 000	34 852 000	-	34 852 000	15 109 587	-	19 742 413	43.35%	43.89%	13 482 169
Budget and Treasury Office	23 143 000	245 000	23 388 000	-	23 388 000	26 207 763	-	(2 819 763)	112.06%	113.24%	20 625 028
Corporate Services	7 858 000	861 000	8 719 000	-	8 719 000	12 121 034	-	(3 402 034)	139.02%	154.25%	9 650 768
Community and Public Safety:											
Community and Social Services	12 432 000	328 000	12 760 000	-	12 760 000	12 994 485	-	(234 485)	101.84%	104.52%	13 374 389
Sport and Recreation	127 000	(25 000)	102 000	-	102 000	50 185	-	51 815	49.20%	39.52%	159 134
Public Safety	2 045 000	(188 000)	1 857 000	-	1 857 000	1 600 622	-	256 378	86.19%	78.27%	1 979 883
Economic and Environmental Services:											
Road Transport	11 910 000	785 000	12 695 000	-	12 695 000	38 090 898	-	(25 395 898)	300.05%	319.82%	37 993 883
Trading Services:											
Electricity	34 156 000	318 000	34 474 000	-	34 474 000	35 075 296	-	(601 296)	101.74%	102.69%	30 438 493
Water	12 754 000	167 000	12 921 000	-	12 921 000	11 984 302	-	936 698	92.75%	93.97%	12 931 679
Waste Water Management	11 442 000	950 000	12 392 000	-	12 392 000	14 510 222	-	(2 118 222)	117.09%	126.82%	13 553 599
Waste Management	7 920 000	940 000	8 860 000	-	8 860 000	10 209 168	-	(1 349 168)	115.23%	128.90%	11 189 719
Total Expenditure - Standard	**158 211 000**	**4 809 000**	**163 020 000**	**-**	**163 020 000**	**177 953 562**	**-**	**(14 933 562)**	**109.16%**	**112.48%**	**165 378 744**
Surplus/(Deficit) for the year	**22 767 000**	**301 000**	**23 068 000**	**-**	**23 068 000**	**(20 193 850)**	**-**	**43 261 850**	**(87.54)%**	**(88.70)%**	**761 965**

Appendix G(2): Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)

Description		2017										2016
		Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
		R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE												
Vote 1 -	Executive and Council	6 128 000	-	6 128 000	-	6 128 000	878 225	-	5 249 775	14.33%	14.33%	1 907 542
Vote 2 -	Budget and Treasury Office	19 528 000	5 205 000	24 733 000	-	24 733 000	81 879 964	-	(57 146 964)	331.06%	419.30%	83 614 721
Vote 3 -	Community and Social Services	2 631 000	5 000	2 636 000	-	2 636 000	511 324	-	2 124 676	19.40%	19.43%	527 085
Vote 4 -	Public Safety	1 925 000	(100 000)	1 825 000	-	1 825 000	-	-	1 825 000	-	-	614
Vote 5 -	Sports and Recreation	2 403 000	-	2 403 000	-	2 403 000	4 961	-	2 398 039	0.21%	0.21%	2 699
Vote 6 -	Waste Management	12 008 000	-	12 008 000	-	12 008 000	4 526 489	-	7 481 511	37.70%	37.70%	4 284 356
Vote 7 -	Waste Water Management	25 545 000	-	25 545 000	-	25 545 000	6 833 454	-	18 711 546	26.75%	26.75%	6 426 819
Vote 8 -	Road Transport	7 671 000	-	7 671 000	-	7 671 000	621 471	-	7 049 529	8.10%	8.10%	16 588 653
Vote 9 -	Water	45 938 000	-	45 938 000	-	45 938 000	28 574 882	-	17 363 118	62.20%	62.20%	22 065 369
Vote 10 -	Electricity	56 744 000	-	56 744 000	-	56 744 000	33 110 867	-	23 633 133	58.35%	58.35%	29 057 199
Vote 11 -	Corporate Services	457 000	-	457 000	-	457 000	818 076	-	(361 076)	179.01%	179.01%	1 665 652
Total Revenue by Vote		**180 978 000**	**5 110 000**	**186 088 000**	**-**	**186 088 000**	**157 759 712**	**-**	**28 328 288**	**84.78%**	**87.17%**	**166 140 709**
EXPENDITURE BY VOTE												
Vote 1 -	Executive and Council	34 424 000	428 000	34 852 000	-	34 852 000	15 109 587	-	19 742 413	43.35%	43.89%	13 482 169
Vote 2 -	Budget and Treasury Office	23 143 000	245 000	23 388 000	-	23 388 000	26 207 763	-	(2 819 763)	112.06%	113.24%	20 625 028
Vote 3 -	Community and Social Services	12 432 000	328 000	12 760 000	-	12 760 000	12 994 485	-	(234 485)	101.84%	104.52%	13 374 389
Vote 4 -	Public Safety	2 045 000	(188 000)	1 857 000	-	1 857 000	1 600 622	-	256 378	86.19%	78.27%	1 979 883
Vote 5 -	Sports and Recreation	127 000	(25 000)	102 000	-	102 000	50 185	-	51 815	49.20%	39.52%	159 134
Vote 6 -	Waste Management	7 920 000	940 000	8 860 000	-	8 860 000	10 209 168	-	(1 349 168)	115.23%	128.90%	11 189 719
Vote 7 -	Waste Water Management	11 442 000	950 000	12 392 000	-	12 392 000	14 510 222	-	(2 118 222)	117.09%	126.82%	13 553 599
Vote 8 -	Road Transport	11 910 000	785 000	12 695 000	-	12 695 000	38 090 898	-	(25 395 898)	300.05%	319.82%	37 993 883
Vote 9 -	Water	12 754 000	167 000	12 921 000	-	12 921 000	11 984 302	-	936 698	92.75%	93.97%	12 931 679
Vote 10 -	Electricity	34 156 000	318 000	34 474 000	-	34 474 000	35 075 296	-	(601 296)	101.74%	102.69%	30 438 495
Vote 11 -	Corporate Services	7 858 000	861 000	8 719 000	-	8 719 000	12 121 034	-	(3 402 034)	139.02%	154.25%	9 650 768
Total Expenditure by Vote		**158 211 000**	**4 809 000**	**163 020 000**	**-**	**163 020 000**	**177 953 562**	**-**	**(14 933 562)**	**109.16%**	**112.48%**	**165 378 746**
Surplus/(Deficit) for the year		**22 767 000**	**301 000**	**23 068 000**	**-**	**23 068 000**	**(20 193 850)**	**-**	**43 261 850**	**(214.23)%**	**190.02%**	**761 963**

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Appendix G(3): Reconciliation of Budgeted Financial Performance

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	2017										2016
	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source											
Property Rates	15 000 000	5 120 000	20 120 000	-	20 120 000	15 853 885	-	4 266 115	78.80%	105.69%	15 085 482
Property Rates - Penalties & Collection Charges	750 000	-	750 000	-	750 000	-	-	750 000	-	-	-
Service Charges - Electricity	33 609 000	-	33 609 000	-	33 609 000	31 318 621	-	2 290 379	93.19%	93.19%	26 360 677
Service Charges - Water	8 155 000	-	8 155 000	-	8 155 000	5 842 554	-	2 312 446	71.64%	71.64%	6 127 340
Service Charges - Sanitation	6 631 000	-	6 631 000	-	6 631 000	6 830 603	-	(199 603)	103.01%	103.01%	6 426 816
Service Charges - Refuse	3 750 000	-	3 750 000	-	3 750 000	4 526 489	-	(776 489)	120.71%	120.71%	4 284 356
Rental of Facilities and Equipment	429 000	5 000	434 000	-	434 000	757 714	-	(323 714)	174.59%	176.62%	747 718
Interest Earned - External Investments	760 000	(150 000)	610 000	-	610 000	619 576	-	(9 576)	101.57%	81.52%	1 133 161
Interest Earned - Outstanding Debtors	-	-	-	-	-	702 438	-	(702 438)	100.00%	100.00%	1 604 096
Dividends Received	100 000	110 000	210 000	-	210 000	19 722	-	190 278	9.39%	19.72%	49 420
Fines	140 000	(100 000)	40 000	-	40 000	273 700	-	(233 700)	684.25%	195.50%	300 900
Licences and Permits	60 000	-	60 000	-	60 000	28 088	-	31 912	100.00%	100.00%	65 500
Transfers Recognised - Operational	62 464 000	-	62 464 000	-	62 464 000	96 362 797	-	(33 898 797)	154.27%	154.27%	101 788 322
Other Revenue	2 145 000	125 000	2 270 000	-	2 270 000	1 134 988	-	1 135 012	50.00%	52.91%	1 050 789
Gains (Loss) on Disposal of PPE	2 077 000	-	2 077 000	-	2 077 000	(2 432 521)	-	4 509 521	(117.12)%	(117.12)%	1 726 329
Total Revenue	**136 070 000**	**5 110 000**	**141 180 000**	**-**	**141 180 000**	**161 838 654**	**-**	**(20 658 654)**	**114.63%**	**118.94%**	**166 750 906**
Expenditure											
Employee Related Costs	54 640 000	1 957 000	56 597 000	-	56 597 000	58 385 186	-	(1 788 186)	103.16%	106.85%	57 697 441
Remuneration of Councillors	5 815 000	(100 000)	5 715 000	-	5 715 000	4 782 759	-	932 241	83.69%	82.25%	4 663 463
Depreciation and Amortisation	19 669 000	-	19 669 000	-	19 669 000	26 782 988	-	(7 113 988)	136.17%	136.17%	26 178 821
Impairment Losses	2 501 000	-	2 501 000	-	2 501 000	13 115 260	-	(10 614 260)	524.40%	524.40%	7 530 755
Repairs and Maintenance	-	-	-	-	-	7 781 985	-	(7 781 985)	-	-	6 459 825
Finance Costs	2 088 000	-	2 088 000	-	2 088 000	3 932 486	-	(1 844 486)	188.34%	188.34%	2 562 439
Bulk Purchases	31 300 000	(400 000)	30 900 000	-	30 900 000	34 143 828	-	(3 243 828)	110.50%	109.09%	32 282 104
Other Materials	6 751 000	757 000	7 508 000	-	7 508 000	-	-	7 508 000	-	-	-
Contracted Services	650 000	-	650 000	-	650 000	38 448	-	611 552	5.92%	5.92%	27 190
General Expenses	34 796 000	2 595 000	37 391 000	-	37 391 000	33 069 564	-	4 321 436	88.44%	95.04%	28 586 905
Total Expenditure	**158 210 000**	**4 809 000**	**163 019 000**	**-**	**163 019 000**	**182 032 504**	**-**	**(19 013 504)**	**111.66%**	**115.06%**	**165 988 943**
Surplus/(Deficit)	(22 140 000)	301 000	(21 839 000)	-	(21 839 000)	(20 193 850)	-	(1 645 150)	92.47%	91.21%	761 963
Transfers Recognised - Capital	44 906 000	-	44 906 000	-	44 906 000	-	-	44 906 000	-	-	-
Surplus/(Deficit) for the Year	**22 766 000**	**301 000**	**23 067 000**	**-**	**23 067 000**	**(20 193 850)**	**-**	**43 260 850**	**(87.54)%**	**(88.70)%**	**761 963**

Appendix G(4): Reconciliation of Budgeted Capital Expenditure

Description	2017										2016
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE											
Multi-year Expenditure											
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Sports and Recreation	2 393 000	-	2 393 000	-	2 393 000	-	-	(2 393 000)	-	-	-
Vote 6 - Waste Management	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Road Transport	6 865 000	-	6 865 000	-	6 865 000	-	-	(6 865 000)	-	-	-
Vote 9 - Water	24 170 000	-	24 170 000	-	24 170 000	101 796 420	-	77 626 420	421.17%	-	77 596 227
Vote 10 - Electricity	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Corporate Services	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	**33 428 000**	**-**	**33 428 000**	**-**	**33 428 000**	**101 796 420**	**-**	**68 368 420**	**304.52%**	**304.52%**	**77 596 227**
Single-year Expenditure											
Vote 1 - Executive and Council	-	-	-	-	-	1 058 622	-	1 058 622	100.00%	100.00%	275 110
Vote 2 - Budget and Treasury	-	-	-	-	-	42 433	-	42 433	100.00%	100.00%	745 924
Vote 3 - Community and Social Services	-	-	-	-	-	24 366	-	24 366	100.00%	100.00%	278 245
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Sports and Recreation	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Waste Management	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Water Management	6 478 000	-	6 478 000	-	6 478 000	-	-	(6 478 000)	-	-	-
Vote 8 - Road Transport	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Water	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Electricity	5 000 000	-	5 000 000	-	5 000 000	255 836	-	(4 744 164)	5.12%	5.12%	265 926
Vote 11 - Corporate Services	-	-	-	-	-	18 549	-	18 549	100.00%	100.00%	335 849
Total Capital Expenditure - Single-year	**11 478 000**	**-**	**11 478 000**	**-**	**11 478 000**	**1 399 806**	**-**	**(10 078 194)**	**12.20%**	**12.20%**	**1 901 054**
Total Capital Expenditure - Vote	**44 906 000**	**-**	**44 906 000**	**-**	**44 906 000**	**103 196 226**	**-**	**58 290 226**	**229.80%**	**229.80%**	**79 497 281**
CAPITAL EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	-	-	-	-	-	1 058 622	-	1 058 622	100.00%	100.00%	275 110
Budget and Treasury Office	-	-	-	-	-	42 433	-	42 433	100.00%	100.00%	745 924
Corporate Services	-	-	-	-	-	18 549	-	18 549	100.00%	100.00%	335 849
Community and Public Safety:											
Community and Social Services	-	-	-	-	-	24 366	-	24 366	100.00%	100.00%	278 245
Sport and Recreation	2 393 000	-	2 393 000	-	2 393 000	-	-	(2 393 000)	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Economic and Environmental Services:											
Planning and Develiopment	-	-	-	-	-	-	-	-	-	-	-
Road Transport	6 865 000	-	6 865 000	-	6 865 000	-	-	(6 865 000)	-	-	-

Appendix G(4): Reconciliation of Budgeted Capital Expenditure

Description	2017										2016
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
Trading Services:											
Electricity	5 000 000	-	5 000 000	-	5 000 000	255 836	-	(4 744 164)	5.12%	5.12%	265 926
Water	24 170 000	-	24 170 000	-	24 170 000	101 796 420	-	77 626 420	421.17%	421.17%	77 596 227
Waste Management	6 478 000	-	6 478 000	-	6 478 000	-	-	(6 478 000)	-	-	-
Other:											
Other	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	**44 906 000**	**-**	**44 906 000**	**-**	**44 906 000**	**103 196 226**	**-**	**58 290 226**	**229.80%**	**229.80%**	**79 497 281**
FUNDED BY:											
National Government	20 736 000	-	20 736 000	-	20 736 000	1 399 806	-	(19 336 194)	6.75%	6.75%	79 497 281
Provincial Government	-	-	-	-	-	101 796 420	-	101 796 420	#DIV/0!	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	20 736 000	-	20 736 000	-	20 736 000	103 196 226	-	82 460 226	397.67%	397.67%	79 497 281
Internally Generated Funds	-	-	-	-	-	-	-	-	-	-	-
Public contributions and donations	24 170 000	-	24 170 000	-	24 170 000	-	-	(24 170 000)	-	-	-
Total Capital Funding	**44 906 000**	**-**	**44 906 000**	**-**	**44 906 000**	**103 196 226**	**-**	**58 290 226**	**229.80%**	**229.80%**	**79 497 281**

Appendix G(5): Reconciliation of Budgeted Cash Flows

Description	2017								2016
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property Rates, Penalties and Collection Charges	15 000 000	4 096 000	19 096 000	19 096 000	13 537 038	(5 558 962)	70.89%	90.25%	15 275 788
Service Charges	48 546 000	-	48 546 000	48 546 000	33 671 864	(14 874 136)	69.36%	69.36%	37 152 919
Other Revenue	5 601 000	30 000	5 631 000	5 631 000	2 231 327	(3 399 673)	39.63%	39.84%	2 062 696
Government - Operating	62 464 000	-	62 464 000	62 464 000	95 727 922	33 263 922	153.25%	153.25%	99 717 168
Government - Capital	44 906 000	-	44 906 000	44 906 000	-	(44 906 000)	-	-	-
Interest	760 000	(150 000)	610 000	610 000	1 322 014	712 014	216.72%	173.95%	2 737 257
Dividends	100 000	(100 000)	-	-	19 722	19 722	100.00%	100.00%	49 420
Payments									
Suppliers and Employees	(133 952 000)	(4 809 000)	(138 761 000)	(138 761 000)	(110 318 116)	28 442 884	79.50%	82.36%	(130 142 588)
Finance Charges	(2 088 000)	-	(2 088 000)	(2 088 000)	(3 838 040)	(1 750 040)	183.81%	183.81%	(2 416 809)
Transfers and Grants	-	-	-	-	-	-	-	-	-
NET CASH FROM / (USED) OPERATING ACTIVITIE	**41 337 000**	**(933 000)**	**40 404 000**	**40 404 000**	**32 353 731**	**(8 050 269)**	**80.08%**	**78.27%**	**24 435 851**
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-
Payments									
Capital Assets	(44 906 000)	-	(44 906 000)	(44 906 000)	(32 789 006)	12 116 994	73.02%	73.02%	(26 718 376)
NET CASH FROM / (USED) INVESTING ACTIVITIES	**(44 906 000)**	**-**	**(44 906 000)**	**(44 906 000)**	**(32 789 006)**	**12 116 994**	**73.02%**	**73.02%**	**(26 718 376)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Increase / (Decrease) in Consumer Deposits	-	-	-	-	-	-	100.00%	100.00%	-
New Loans raised	-	-	-	-	-	-	100.00%	100.00%	-
Payments									
Loans repaid	(650 000)	(570 000)	(1 220 000)	(1 220 000)	(486 420)	733 580	39.87%	74.83%	149 127
NET CASH FROM / (USED) FINANCING ACTIVITIES	**(650 000)**	**(570 000)**	**(1 220 000)**	**(1 220 000)**	**(486 420)**	**733 580**	**39.87%**	**74.83%**	**149 127**
NET INCREASE / (DECREASE) IN CASH HELD	**(4 220 000)**	**(1 502 000)**	**(5 722 000)**	**(5 722 000)**	**(921 694)**	**4 800 306**	**16.11%**	**21.84%**	**(2 133 398)**
Cash / Cash Equivalents at the Year begin:	4 222 000	-	4 222 000	4 222 000	4 222 032	32	0.00%	0.00%	6 355 430
Cash / Cash Equivalents at the Year end:	2 000	(1 502 000)	(1 500 000)	(1 500 000)	3 300 338	4 800 338	(320.02)%	240016.90%	4 222 032