Ephraim Mogale 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	Provision of basic services
Mayoral committee	
Mayor	Cllr Kupa CR (Appointed 01 August 2016)
	Cllr Mmakola MY
Speaker	Cllr Mothogwane MD (Appointed 01 August 2016)
	Cllr Modisha LB
Chief Whip	Cllr Modisha LB (Appointed 01 August 2016)
	Cllr Ratau MF
Traditional leaders	Kekana PK
	Lehwelere-Matlala MA
	Matlala MM
	Mashung MJ
	Rahlagane MP
	Rakgwadi K (Appointed 01 August 2016)
Councillors	Cllr Aphane MK (Appointed 01 August 2016)
	Cllr Boshield C (Appointed 01 August 2016)
	Cllr De Beer FJC (Appointed 01 August 2016)
	Cllr Jacobs PR (Appointed 01 August 2016)
	Cllr Kekana MJ (Appointed 01 August 2016)
	Cllr Lenstoane MC (Appointed 01 August 2016)
	Cllr Lenstoane RM (Appointed 01 August 2016)
	Cllr Mabaso TL (Appointed 01 August 2016)
	Cllr Madileng DO (Appointed 01 August 2016)
	Cllr Makanyane GN (Appointed 01 August 2016)
	Cllr Makola ML (Appointed 01 August 2016)
	Cllr Maloka MF (Appointed 01 August 2016)
	Cllr Manasoe MT (Appointed 01 August 2016)
	Cllr Mashigo MPM (Appointed 01 August 2016)
	Cllr Mashoeshoe RHS (Appointed 01 August 2016)
	Cllr Matlala MF (Appointed 01 August 2016)
	Cllr Matji PT (Appointed 01 August 2016)
	Cllr Mohlala R (Appointed 01 August 2016)
	Cllr Moimana GMH (Appointed 01 August 2016)
	Cllr Molatudi ML (Appointed 01 August 2016)
	Cllr Monama M (Appointed 01 August 2016)
	Cllr Motsepe MJ (Appointed 01 August 2016)
	Cllr Phatlane NF (Appointed 01 August 2016)
	Cllr Phefadi MG (Appointed 01 August 2016)
	Cllr Phokwane RG (Appointed 01 August 2016)
	Cllr Ranoto P (Appointed 01 August 2016)
	Cllr Sedibane FS (Appointed 01 August 2016)
	Cllr Sindana RR (Appointed 01 August 2016)
	Cllr Tema SA (Appointed 01 August 2016)
	Cllr Bogopa JH
	Cllr Chauke MS
	Cllr Esson BA
	Cllr Kekana KN
	Cllr Kekana MJ

General Information

	Cllr Kekana MM
	Cllr Mabaso WM
	Cllr Makanyane GN
	Cllr Mamogobo SC
	Cllr Mashego GB
	Cllr Mokonyane MJ
	Cllr Molotshwa FK
	Cllr Moraswi ME
	Cllr Mothwa NM
	Cllr Mphahlele LJ
	Cllr Nchabeleng MJ
	Cllr Ndobeni NR
	Cllr Phala MG
	Cllr Phatlane NF
	Cllr Ranoto P
	Cllr Sebothoma OE
	Cllr Sehlola ET
	Cllr Seoka KM
	Cllr Seono MK
	Cllr Tshiguvho EM
Grading of local authority	Grade 2
Capacity of local authority	Low capacity
Municipal demarcation code	LIM471
Accounting Officer	Mathebela MM
Chief Finance Officer (CFO)	Ramosibi K

General Information

Registered office	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Business address	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Postal address	PO Box 111 Marble Hall Limpopo 0450
Bankers	First National Bank (Primary bank account) ABSA Bank Nedbank
Attorneys	Kgatla Incorporated Mamadimo Magane Attorneys Popela Maake Attorneys Renqe Kunene Incoporated

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

Abbreviations

DBSA	Development Bank of South Africa
EPWP	Expanded Public Work Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay AS You Earn
SALGA	South African Local Goverment Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund

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 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.

The external auditors are responsible for auditing 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 8.

The annual financial statements set out on pages 8 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed by:

MM Mathebela
Accounting officer

31 August 2017

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 x number of meetings were held.

Name of member	Number of meetings attended
Letsela MH (Chairperson) (appointed 01 June 2017)	1
Ravhudzulo P (appointed 01 June 2017)	1
Nevondwe T (appointed 01 June 2017)	1
Nchabeleng MF (appointed 01 June 2017)	1
Chuene V (appointed 01 June 2017)	1
Malatjie TM (Chairperson) (termination - 30 April 2017)	5
Matabane T (termination - 30 April 2017)	4
Ramataboe M (termination - 30 April 2017)	3
Fihlani Z (termination 30 April 2017)	3
Letsela HM (termination 30 April 2017)	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 66 (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 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 monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Performance management

The committee noticed that management’s efforts in implementing issues raised by Audit in performance management are yielding positive results; such is evidenced by improvements in the AGSA s report. However; the committee now urges management to cascade the implementation of its performance management framework to levels lower than Senior Management; as it has now been more than three years that the AGSA has been reporting such a non-compliance.

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 (delete if not applicable);
- 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.

Risk Management

The committee discussed risk management reports received from the municipality's risk management committee. Having considered management's strides in institutionalizing enterprise risk management in the municipality; the committee is pleased with outcomes thereof. However; management is urged to put more effort in ensuring that enterprise risk management is embedded in the municipality's operational processes all across. Such will be achieved through continuous monitoring mechanism such as making risk management a standing item in all management meetings.

Chairperson of the Audit Committee

Date: ______________________

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

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	124 746 340	105 722 497
Deposits	48	386 721	370 118
Receivables from exchange transactions	4&5	13 214 703	9 389 595
Receivables from non-exchange transactions	4&6	40 440 207	33 233 222
VAT receivable	7	2 626 526	5 401 423
Inventories	8	720 347	791 885
		182 134 844	**154 908 740**
Non-Current Assets			
Investment property	9	88 362 701	87 914 701
Property, plant and equipment	10	826 067 830	812 087 642
Heritage assets	11	106 798	81 647
		914 537 329	**900 083 990**
Total Assets		**1 096 672 173**	**1 054 992 730**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	42 767 255	42 243 249
Consumer deposits	13	1 426 273	1 529 723
Finance lease obligation	14	1 702 294	1 537 792
Unspent conditional grants and receipts	15	124 695	9 363 891
Provisions	16	285 568	805 709
		46 306 085	**55 480 364**
Non-Current Liabilities			
Finance lease obligation	14	368 255	2 070 549
Provisions	16	17 206 381	16 808 590
Employee benefit obligation	17	21 797 106	20 362 874
		39 371 742	**39 242 013**
Total Liabilities		**85 677 827**	**94 722 377**
Net Assets		**1 010 994 346**	**960 270 353**
Reserves			
Revaluation reserve		106 798	81 647
Accumulated surplus		1 010 887 548	960 188 706
Total Net Assets		**1 010 994 346**	**960 270 353**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	52 851 093	49 000 161
Rental of facilities and equipment		112 897	126 558
Licences and permits		4 016 065	3 994 013
Other income	19	3 382 928	62 800
Interest received	20	12 412 299	8 179 005
Total revenue from exchange transactions		**72 775 282**	**61 362 537**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	31 425 047	29 176 004
Transfer revenue			
Government grants & subsidies	22	158 219 637	168 270 172
Fines, Penalties and Forfeits		1 256 769	1 553 784
Total revenue from non-exchange transactions		**190 901 453**	**198 999 960**
Total revenue		**263 676 735**	**260 362 497**
Expenditure			
Employee related costs	23	(70 975 660)	(59 376 780)
Remuneration of councillors	24	(11 328 932)	(10 633 213)
Depreciation and amortisation	25	(43 262 612)	(42 311 103)
Impairment loss/ Reversal of impairments		-	(1 524 703)
Finance costs	26	(3 493 578)	(2 914 168)
Debt Impairment	27	(9 402 871)	(5 150 132)
Collection costs		(21 500)	(845 527)
Repairs and maintenance	28	(6 838 643)	(9 820 774)
Bulk purchases	29	(29 357 077)	(27 803 116)
Contracted services	30	(13 009 399)	(8 482 981)
Grants and Subsidies		(3 227 958)	(1 408 228)
General Expenses	31	(27 512 002)	(26 081 381)
Total expenditure		**(218 430 232)**	**(196 352 106)**
Operating surplus		**45 246 503**	**64 010 391**
Loss on disposal of assets and liabilities		(3 422 520)	(10 069 878)
Fair value adjustments	32	7 348 000	5 414 700
Actuarial gains/losses	17	1 526 883	(1 286 616)
		5 452 363	**(5 941 794)**
Surplus for the year		**50 698 866**	**58 068 597**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Restated* Balance at 01 July 2015	**76 494**	**902 120 109**	**902 196 603**
Changes in net assets			
Revaluation: Heritage Assets	5 153	-	5 153
Net income (losses) recognised directly in net assets	5 153	-	5 153
Surplus for the year	-	58 068 597	58 068 597
Total recognised income and expenses for the year	5 153	58 068 597	58 073 750
Total changes	5 153	58 068 597	58 073 750
Restated* Balance at 01 July 2016	**81 647**	**960 188 682**	**960 270 329**
Changes in net assets			
Surplus for the year	-	50 698 866	50 698 866
Revaluation adjustment - Heritage assets	25 151	-	25 151
Total changes	25 151	50 698 866	50 724 017
Balance at 30 June 2017	**106 798**	**1 010 887 548**	**1 010 994 346**

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies		148 980 441	168 007 065
Receipts from goods, services, rates and fines		71 898 353	57 057 533
Interest income		12 412 299	8 179 005
Other receipts		2 359 317	2 199 034
		235 650 410	235 442 637
Payments			
Employee costs		(79 881 866)	(68 990 312)
Suppliers		(81 181 060)	(68 095 814)
Finance costs		(260 528)	(375 511)
		(161 323 454)	(137 461 637)
Net cash flows from operating activities	34	**74 326 956**	**97 981 000**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(53 765 320)	(65 310 271)
Cash flows from financing activities			
Finance lease payments		(1 537 792)	(1 406 820)
Net increase/(decrease) in cash and cash equivalents		**19 023 844**	**31 263 909**
Cash and cash equivalents at the beginning of the year		105 722 497	74 458 588
Cash and cash equivalents at the end of the year	3	**124 746 341**	**105 722 497**

* See Note 49

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	60 193 283	(8 196 219)	**51 997 064**	52 851 093	**854 029**	1
Rental of facilities and equipment	209 276	(65 778)	**143 498**	112 897	**(30 601)**	2
Licences and permits	3 395 771	(274 614)	**3 121 157**	4 016 065	**894 908**	3
Other income - (rollup)	16 404 247	(1 081 556)	**15 322 691**	3 382 928	**(11 939 763)**	4
Interest received - investment	1 240 600	5 294 078	**6 534 678**	12 412 299	**5 877 621**	5
Total revenue from exchange transactions	**81 443 177**	**(4 324 089)**	**77 119 088**	**72 775 282**	**(4 343 806)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28 372 336	1 685 418	**30 057 754**	31 425 047	**1 367 293**	6
Transfer revenue						
Government grants & subsidies	152 541 000	8 407 309	**160 948 309**	158 219 637	**(2 728 672)**	7
Fines, Penalties and Forfeits	731 220	(483 560)	**247 660**	1 256 769	**1 009 109**	8
Total revenue from non-exchange transactions	**181 644 556**	**9 609 167**	**191 253 723**	**190 901 453**	**(352 270)**	
Total revenue	**263 087 733**	**5 285 078**	**268 372 811**	**263 676 735**	**(4 696 076)**	
Expenditure						
Personnel	(70 709 751)	(2 411 879)	**(73 121 630)**	(70 975 660)	**2 145 970**	9
Remuneration of councillors	(11 663 148)	-	**(11 663 148)**	(11 328 932)	**334 216**	10
Depreciation and amortisation	(44 944 000)	-	**(44 944 000)**	(43 262 612)	**1 681 388**	22
Finance costs	(797 981)	400 000	**(397 981)**	(3 493 578)	**(3 095 597)**	11
Bad debts written off	(7 314 333)	-	**(7 314 333)**	(9 402 871)	**(2 088 538)**	12
Collection costs	-	(645 000)	**(645 000)**	(21 500)	**623 500**	13
Repairs and maintenance	(13 093 443)	2 604 702	**(10 488 741)**	(6 838 643)	**3 650 098**	14
Bulk purchases	(29 355 063)	-	**(29 355 063)**	(29 357 077)	**(2 014)**	15
Contracted Services	(8 820 679)	(4 375 000)	**(13 195 679)**	(13 009 399)	**186 280**	16
Transfers and Subsidies	-	(2 469 787)	**(2 469 787)**	(3 227 958)	**(758 171)**	17
General Expenses	(58 807 897)	1 698 130	**(57 109 767)**	(27 512 002)	**29 597 765**	18
Total expenditure	**(245 506 295)**	**(5 198 834)**	**(250 705 129)**	**(218 430 232)**	**32 274 897**	
Operating surplus	**17 581 438**	**86 244**	**17 667 682**	**45 246 503**	**27 578 821**	
Loss on disposal of assets and liabilities	-	-	**-**	(3 422 520)	**(3 422 520)**	23
Fair value adjustments	-	-	**-**	7 348 000	**7 348 000**	24
Actuarial gains/losses	-	-	**-**	1 526 883	**1 526 883**	19
	-	**-**	**-**	**5 452 363**	**5 452 363**	
Surplus before taxation	**17 581 438**	**86 244**	**17 667 682**	**50 698 866**	**33 031 184**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**17 581 438**	**86 244**	**17 667 682**	**50 698 866**	**33 031 184**	

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
Reconciliation						

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	848 000	-	**848 000**	720 347	**(127 653)**	20
Receivables from exchange transactions	-	-	**-**	13 214 703	**13 214 703**	20
Receivables from non-exchange transactions	27 407 000	-	**27 407 000**	40 440 207	**13 033 207**	20
VAT receivable	-	-	**-**	2 626 526	**2 626 526**	20
Deposits	-	-	**-**	386 721	**386 721**	20
Cash and cash equivalents	78 251 818	35 111 363	**113 363 181**	124 746 340	**11 383 159**	20
	106 506 818	**35 111 363**	**141 618 181**	**182 134 844**	**40 516 663**	
Non-Current Assets						
Investment property	120 000 000	(62 437 300)	**57 562 700**	88 362 701	**30 800 001**	20
Property, plant and equipment	829 057 800	-	**829 057 800**	826 067 830	**(2 989 970)**	20
Investment	23 850 000	-	**23 850 000**	-	**(23 850 000)**	20
Heritage assets	-	-	**-**	106 798	**106 798**	20
	972 907 800	**(62 437 300)**	**910 470 500**	**914 537 329**	**4 066 829**	
Total Assets	**1 079 414 618**	**(27 325 937)**	**1 052 088 681**	**1 096 672 173**	**44 583 492**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	1 702 294	**1 702 294**	21
Payables from exchange transactions	45 240 000	-	**45 240 000**	48 699 619	**3 459 619**	21
Consumer deposits	1 346 000	-	**1 346 000**	1 426 273	**80 273**	21
Unspent conditional grants and receipts	-	-	**-**	124 695	**124 695**	21
Provisions	207 000	-	**207 000**	285 568	**78 568**	21
	46 793 000	**-**	**46 793 000**	**52 238 449**	**5 445 449**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	368 255	**368 255**	21
Employee benefit obligation	-	-	**-**	21 797 106	**21 797 106**	21
Provisions	28 830 000	-	**28 830 000**	17 206 381	**(11 623 619)**	21
	28 830 000	**-**	**28 830 000**	**39 371 742**	**10 541 742**	
Total Liabilities	**75 623 000**	**-**	**75 623 000**	**91 610 191**	**15 987 191**	
Net Assets	**1 003 791 618**	**(27 325 937)**	**976 465 681**	**1 005 061 982**	**28 596 301**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	**-**	106 798	**106 798**	25
Accumulated surplus	1 003 791 618	(27 325 937)	**976 465 681**	1 010 887 552	**34 421 871**	25
Total Net Assets	**1 003 791 618**	**(27 325 937)**	**976 465 681**	**1 010 994 350**	**34 528 669**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipt from goods, services, rates and fines	73 467 460	(6 182 509)	**67 284 951**	71 898 353	**4 613 402**	26
Grants	152 541 000	8 407 309	**160 948 309**	148 980 441	**(11 967 868)**	26
Interest income	3 616 565	5 766 350	**9 382 915**	12 412 299	**3 029 384**	26
Other income	17 766 782	(4 278 782)	**13 488 000**	2 359 317	**(11 128 683)**	26
	247 391 807	**3 712 368**	**251 104 175**	**235 650 410**	**(15 453 765)**	
Payments						
Employee costs	(70 709 751)	(2 411 879)	**(73 121 630)**	(80 265 928)	**(7 144 298)**	26
Suppliers	(122 887 989)	(2 039 195)	**(124 927 184)**	(80 796 999)	**44 130 185**	26
Finance costs	(797 981)	400 000	**(397 981)**	(260 528)	**137 453**	26
	(194 395 721)	**(4 051 074)**	**(198 446 795)**	**(161 323 455)**	**37 123 340**	
Net cash flows from operating activities	**52 996 086**	**(338 706)**	**52 657 380**	**74 326 955**	**21 669 575**	

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
Cash flows from investing activities						
Purchase of property, plant and equipment	-	600 000	**600 000**	-	**(600 000)**	27
Decrease(increase) in non current investments	1 850 000	-	**1 850 000**	-	**(1 850 000)**	27
Other cash item	-	-	**-**	2	**2**	
Capital Assets	(65 507 956)	(4 418 062)	**(69 926 018)**	(53 765 320)	**16 160 698**	27
Net cash flows from investing activities	**(63 657 956)**	**(3 818 062)**	**(67 476 018)**	**(53 765 318)**	**13 710 700**	
Cash flows from financing activities						
Repayment of borrowing	(1 865 187)	897 981	**(967 206)**	(1 537 792)	**(570 586)**	28
Net increase/(decrease) in cash and cash equivalents	(12 527 057)	(3 258 787)	**(15 785 844)**	19 023 845	**34 809 689**	
Cash and cash equivalents at the beginning of the year	74 878 877	38 370 146	**113 249 023**	105 722 497	**(7 526 526)**	29
Cash and cash equivalents at the end of the year	**62 351 820**	**35 111 359**	**97 463 179**	**124 746 342**	**27 283 163**	
Reconciliation						

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. All figures are rounded to the nearest 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 are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. 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.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating 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, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

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

Goodwill is tested on an annual basis for 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 16 - 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 property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend 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 and long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

1.3 Investment property

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

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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

The gains or losses arising from the retirement or disposal of investment property are 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.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Managements' intended usage of the property; and
- the extent to which it is owner occupied.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements refer note 28.

1.4 Property, plant and equipment

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

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

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

1.4 Property, plant and equipment (continued)

Property, plant and equipment are 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 part 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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plan and equipment.In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment is depreciated over the expected useful lives to the estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20-30 years
Community assets	Straight line	5-25 years
Infrastructure assets	Straight line	2-100 years
Land	Straight line	Indefinite
Landfill site	Straight line	2-100 years
Motor vehicle	Straight line	5 years
Office equipment	Straight line	4-7 years

The municipality assesses at each reporting date whether there is any indication that the municipality's 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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality 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.

1.4 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements refer note 28.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements refer note 10.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, rehabilitation 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 which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

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

1.6 Heritage assets

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

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 11 - Heritage assets.

Heritage assets are initially measured at cost.

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

Subsequent to initial measurement after recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at a date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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

Accounting Policies

1.6 Heritage assets (continued)

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

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

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements refer note 28.

1.7 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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:
The extent to which the asset is used for service delivery.

Identification

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

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

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

Value in use

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.

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.

Cash-generating units

1.7 Impairment of cash-generating assets (continued)

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 uses 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 municipality 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.

Reversal of impairment loss

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

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

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

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

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

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

1.7 Impairment of cash-generating assets (continued)

- 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
The extent to which the asset is used for service delivery.

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.

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 are determined on an "optimised" basis. The rationale is that the municipality will 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.

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.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Financial instruments

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

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
Cash and cash equivalents	Financial asset measured at amortised cost
Deposits	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Investment	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
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	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.

1.9 Financial instruments (continued)

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.

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.

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 municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices 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 assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the 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.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.10 Statutory receivables

Identification

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

Recognition

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

1.10 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Accounting Policies

1.10 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

1.11 Inventories

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

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

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

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

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

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

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

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

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

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.

1.12 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.

1.13 Value-added Tax (VAT)

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

1.14 Employee benefits

Short-term employee benefits

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

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

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

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

Post-employment benefits

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (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 recognises 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, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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.

Post-employment benefits: Defined benefit plans

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

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

Accounting Policies

1.14 Employee benefits (continued)

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.

The municipality accounts 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 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;
- actuarial gains and losses;
- past service cost.

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.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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 long-term employee benefits

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

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine is the present value of the obligations.

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 recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately.

1.14 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. 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 the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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:

Where 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 1.7 and 1.8.

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

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

1.16 Accumulated surplus

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

1.17 Accounting by principals and agents

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether municipality is a principal or an agent

The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the municipality re-assesses whether it act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

1.17 Accounting by principals and agents (continued)

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Revenue from exchange transactions

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.

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When 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 surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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.

1.19 Revenue from non-exchange transactions

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

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 the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

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

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

Property rates

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

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

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

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

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

Transfers

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.

1.19 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognises 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.

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. 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 receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are 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 statement of financial performance recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Investment income

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

1.21 Borrowing costs

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

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

Accounting Policies

1.22 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 municipality assesses the classification of each element separately.

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 municipality's incremental borrowing rate.

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.

Income for leases is disclosed under revenue in the 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 expense over the lease term on a straight-line basis.

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

1.23 Grant 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 of 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.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 47.

Accounting Policies

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.26 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.

1.27 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.

1.28 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. 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.

1.29 Budget information

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

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

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

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

1.30 Related parties

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

1.30 Related parties (continued)

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, 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.

1.31 Events after reporting date

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

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

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

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

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:
- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

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

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

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:
- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

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

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

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18 Segment reporting

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

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

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

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 (GRAP 103). 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 not yet set by the Minister of Finance.

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

The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

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.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

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.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

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.

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

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

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.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating 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.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary 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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

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.

GRAP 20: Related parties

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

The standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management

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

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

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

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

GRAP 108: Statutory Receivables

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	-
Bank balances	99 231 502	81 885 085
Short term deposits	25 509 838	23 837 412
	124 746 340	**105 722 497**

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
First National Bank - Cheque	16 840 104	1 530 093	6 872 361	16 259 934	948 682	6 718 119
First National Bank - Cheque	-	-	-	107	32 503	32 502
ABSA Bank - Cheque account	81 257 084	79 224 293	43 282 557	82 971 462	80 903 900	51 654 129
Nedbank - Call account	25 509 837	23 837 412	22 399 847	25 509 837	23 837 412	22 399 847
Cash on hand	-	-	-	5 000	-	-
Total	**123 607 025**	**104 591 798**	**72 554 765**	**124 746 340**	**105 722 497**	**80 804 597**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Receivables

Gross balances		
Rates	52 618 263	42 029 184
Consumer receivables - electricity	9 475 524	6 107 046
Consumer receivables - refuse	2 265 014	1 750 935
Consumer receivables - other	17 171 176	12 297 627
Fines	4 095 261	3 094 481
	85 625 238	**65 279 273**
Less: Allowance for impairment		
Rates	(18 667 602)	(15 046 391)
Consumer receivables - electricity	(2 846 785)	(1 582 937)
Consumer receivables - refuse	(1 586 740)	(1 189 863)
Consumer receivables - other	(11 263 486)	(7 993 213)
Fines	(3 390 780)	(2 540 117)
	(37 755 393)	**(28 352 521)**
Net balance		
Rates	33 950 661	26 982 793
Consumer receivables - electricity	6 628 739	4 524 109
Consumer debtors - refuse	678 274	561 072
Consumer receivables - other	5 907 690	4 304 414
Fines	704 481	554 364
	47 869 845	**36 926 752**
Rates		
Current (0 -30 days)	4 642	52 048
31 - 60 days	2 746 647	7 711 374
61 - 90 days	1 580 461	1 166 153
> 90 days	48 286 513	33 099 609
Less: Allowance for impairment	(18 667 602)	(15 046 391)
	33 950 661	**26 982 793**
Electricity		
Current (0 -30 days)	13 457	38 897
31 - 60 days	4 262 058	2 881 682
61 - 90 days	748 934	273 126
> 90 days	4 451 075	2 913 341
Less: Allowance for impairment	(2 846 785)	(1 582 937)
	6 628 739	**4 524 109**
Refuse		
Current (0 -30 days)	745	-
31 - 60 days	241 780	214 408
61 - 90 days	92 405	68 327
> 90 days	1 930 084	1 468 200
Less: Allowance for impairment	(1 586 740)	(1 189 863)
	687 274	**561 072**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Receivables (continued)

Other

Current (0 -30 days)	18 003	220 142
31 - 60 days	1 075 691	784 894
61 - 90 days	586 688	394 733
> 90 days	15 490 794	10 897 858
Less: Allowance for impairment	(11 263 486)	(7 993 213)
	5 907 690	**4 304 414**

Fines

Current (0 -30 days)	81 500	24 250
31 - 60 days	120 000	42 500
61 - 90 days	59 000	60 750
> 90 days	3 834 761	2 966 981
Less: Allowance for impairment	(3 390 779)	(2 540 116)
	704 482	**554 365**

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	17 412	2 535 210
31 - 60 days	3 825 460	520 061
61 - 90 days	1 306 892	437 588
91 - 120 days	21 826 277	10 943 021
	26 976 041	14 435 880
Less: Allowance for impairment	(12 477 164)	(9 709 955)
	14 498 877	**4 725 925**

Industrial/ commercial

Current (0 -30 days)	7 005	7 291 862
31 - 60 days	4 372 937	1 148 991
61 - 90 days	1 832 501	973 007
91 - 120 days	46 264 426	26 940 498
	52 476 869	36 354 358
Less: Allowance for impairment	(19 522 462)	(14 449 348)
	32 954 407	**21 905 010**

National and provincial government

Current (0 -30 days)	-	2 076 373
31 - 60 days	127 778	233 287
61 - 90 days	53 663	228 289
91 - 120 days	1 048 433	8 866 388
	1 229 874	**11 404 337**

Total

Current (0 -30 days)	24 417	11 903 446
31 - 60 days	8 326 176	1 902 339
61 - 90 days	2 591 675	1 638 884
> 90 days	69 739 075	46 749 906
	80 681 343	62 194 575
Less: Allowance for impairment	(31 999 626)	(24 159 304)
	48 681 717	**38 035 271**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Receivables (continued)

Reconciliation for allowance for impairment (electricity, refuse, rates, commercial/industrial and other)

Balance at the beginning of the year	24 159 304	21 579 806
Contributions for allowance	7 840 321	2 579 498
	31 999 625	**24 159 304**

Reconciliation for allowance for impairment(fines)

Balance at the beginning of the year	2 540 117	1 622 584
Contributions to allowance	850 663	917 533
	3 390 780	**2 540 117**

5. Receivables from exchange transactions

Consumer receivables - Electricity	6 628 739	4 524 109
Consumer receivables - Refuse	678 274	561 072
Consumer receivables - Other	5 907 690	4 304 414
	13 214 703	**9 389 595**

Receivables from exchange transactions pledged as security

None of the receivables were pledged as a security.

6. Receivables from non-exchange transactions

Government grant and subsidies	5 785 065	5 696 065
Rates	33 950 661	26 982 793
Fines	704 481	554 364
	40 440 207	**33 233 222**

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

7. VAT receivable

VAT	2 626 526	5 401 423

VAT is payables on the payment basis. All VAT returns were submitted throughout the year.

8. Inventories

Consumables	720 347	791 885

9. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property land	88 362 701	-	88 362 701	87 914 701	-	87 914 701

9. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Disposals	Transfers to PPE	Fair value adjustments	Total
Investment property land	87 914 701	(330 000)	(6 570 000)	7 348 000	88 362 701

Reconciliation of investment property - 2016

	Opening balance	Additions	Fair value adjustments	Total
Investment property land	82 515 001	885 000	4 514 700	87 914 701

Pledged as security

None of the above investment property has been pledged as a security.

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

The municipality does not have any contractual obligation to purchase, construct or develop investment property or for repair, maintenance or enhancement as at the end of the period under review.

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.

Details of valuation

The effective date of the revaluations was 30 June 2016. Revaluations were performed by an independent valuer, Mr Lourens Nel (professional valuator - 4464/2) (SACPVP) (SAIV), of Uniqueco Properties (Pty) Ltd. Uniqueco Properties (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the land and improvement value methodology, referring to the costing approach i.e. the replacement value less provisional depreciation for improvements plus land value. Both the land and building costing were based on comparable data and statistical analyses.

10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 975 219	-	5 975 219	3 675 719	-	3 675 719
Buildings	38 061 508	(9 713 770)	28 347 738	33 126 335	(8 180 978)	24 945 357
Plant and machinery	27 207 072	(11 614 791)	15 592 281	32 297 371	(12 358 367)	19 939 004
Motor vehicles	8 646 671	(3 918 633)	4 728 038	6 636 560	(3 355 311)	3 281 249
Office equipment	5 509 888	(3 912 397)	1 597 491	6 663 150	(4 216 039)	2 447 111
IT equipment	2 489 629	(1 106 886)	1 382 743	2 127 996	(807 554)	1 320 442
Infrastructure	934 250 619	(251 459 950)	682 790 669	914 753 241	(216 339 513)	698 413 728
Community	25 428 734	(3 560 492)	21 868 242	24 378 605	(2 622 020)	21 756 585
Other property, plant and equipment	4 762 488	(4 762 488)	-	4 762 488	(4 762 488)	-
Work in progress	60 216 022	-	60 216 022	31 563 526	-	31 563 526
Leased assets	8 112 668	(4 543 281)	3 569 387	8 112 668	(3 367 747)	4 744 921
Total	**1 120 660 518**	**(294 592 688)**	**826 067 830**	**1 068 097 659**	**(256 010 017)**	**812 087 642**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfer from investment properties	Disposals	Transfers	Depreciation	Total
Land	3 675 719	-	2 299 500	-	-	-	5 975 219
Buildings	24 945 357	664 673	4 270 500	-	-	(1 532 792)	28 347 738
Plant and machinery	19 939 004	541 684	-	(2 253 837)	-	(2 634 570)	15 592 281
Motor vehicles	3 281 249	2 461 858	-	(104 049)	-	(911 020)	4 728 038
Office equipment	2 447 111	323 755	-	(596 075)	-	(577 300)	1 597 491
IT equipment	1 320 442	421 349	-	(22 261)	-	(336 787)	1 382 743
Infrastructure	698 413 728	977 947	-	(152 000)	18 671 431	(35 120 437)	682 790 669
Community	21 756 585	1 050 129	-	-	-	(938 472)	21 868 242
Work in progress	31 563 526	47 323 927	-	-	(18 671 431)	-	60 216 022
Leased assets	4 744 921	-	-	-	-	(1 175 534)	3 569 387
	812 087 642	**53 765 322**	**6 570 000**	**(3 128 222)**	**-**	**(43 226 912)**	**826 067 830**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Non-cash additions	Disposals	Transfers	Change in estimate for rehabilitation provision	Depreciation	Impairment loss	Total
Land	3 660 719	-	15 000	-	-	-	-	-	3 675 719
Buildings	26 049 568	-	-	-	-	-	(1 104 211)	-	24 945 357
Plant and machinery	22 991 722	1 411 647	-	(1 351 349)	-	-	(3 113 016)	-	19 939 004
Motor vehicles	3 976 124	268 164	-	-	-	-	(963 039)	-	3 281 249
Office equipment	3 622 058	18 875	-	(453 383)	-	-	(740 439)	-	2 447 111
IT equipment	1 597 488	-	-	-	-	-	(277 046)	-	1 320 442
Infrastructure	695 927 108	-	-	(7 715 107)	44 152 521	-	(33 950 794)	-	698 413 728
Community	19 519 501	-	-	(550 038)	3 617 777	-	(830 655)	-	21 756 585
Landfill site	4 433 369	-	-	-	-	(2 752 297)	(156 369)	(1 524 703)	-
Work in progress	15 722 238	63 611 586	-	-	(47 770 298)	-	-	-	31 563 526
Leased assets	5 920 454	-	-	-	-	-	(1 175 533)	-	4 744 921
	803 420 349	**65 310 272**	**15 000**	**(10 069 877)**	**-**	**(2 752 297)**	**(42 311 102)**	**(1 524 703)**	**812 087 642**

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

Vehicles and heavy machinery	3 569 387	4 744 921

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value

Notes to the Annual Financial Statements

Figures in Rand					2017	2016

11. Heritage assets (continued)

Sculptures	33 000	-	33 000	33 000	-	33 000
Artefacts	500	-	500	500	-	500
Mayoral chains	73 298	-	73 298	48 147	-	48 147
Total	**106 798**	**-**	**106 798**	**81 647**	**-**	**81 647**

Reconciliation of heritage assets 2017

	Opening balance	Revaluation increase	Total
Sculptures	33 000	-	33 000
Artefacts	500	-	500
Mayoral chains	48 147	25 151	73 298
	81 647	**25 151**	**106 798**

Reconciliation of heritage assets 2016

	Opening balance	Revaluation increase	Total
Sculptures	33 000	-	33 000
Artefacts	500	-	500
Mayoral chains	42 994	5 153	48 147
	76 494	**5 153**	**81 647**

Pledged as security

None of the above heritage assets have been pledged as security.

Revaluations

Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following.

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2017. The key values for gold was utilised per gram of gold at the spot rate R13.62/dollar. The valuations were performed utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

The sculptures (memorial stones) were valued by the independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2017. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

12. Payables from exchange transactions

	2017	2016
Trade payables	21 449 870	23 489 900
Accrued leave	6 288 641	5 733 293
Accrued 13th cheque	1 748 950	1 415 100
Retentions	10 374 470	8 528 335
Credit balances on receivables	2 687 567	2 936 384
Accrued salaries	67 926	-
Other creditors	149 831	140 237
	42 767 255	**42 243 249**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Consumer deposits

Electricity	1 426 273	1 529 723

On application for the provision of municipal services the prescribed consumer deposit shall be paid. The minimum deposit payable is determined annual by the council and is contained in the tariff book produced annually.

14. Finance lease obligation

Minimum lease payments due		
- within one year	1 827 069	1 814 907
- in second to fifth year inclusive	373 479	2 200 548
	2 200 548	4 015 455
less: future finance charges	(129 998)	(407 114)
Present value of minimum lease payments	**2 070 550**	**3 608 341**
Present value of minimum lease payments due		
- within one year	1 702 295	1 537 792
- in second to fifth year inclusive	368 255	2 070 549
	2 070 550	**3 608 341**
Non-current liabilities	368 255	2 070 549
Current liabilities	1 702 294	1 537 792
	2 070 549	**3 608 341**

It is municipality policy to lease certain motor vehicles and heavy machinery under finance leases.

The average lease term was 4 - 5 years and the average effective borrowing rate was 9% (2016: 9%).

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.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	9 108 011
Municipal System Improvement Grant	-	255 880
Expanded Public Work Programme Grant	124 695	-
	124 695	**9 363 891**

Movement during the year

Balance at the beginning of the year	9 363 891	9 626 997
Additions during the year	32 381 000	168 007 066
Income recognition during the year	(41 620 196)	(168 270 172)
	124 695	**9 363 891**

See note 22 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in estimated closure cost and discount rate	Reversed during the year	Increase due to unwinding of discount	Total
Environmental rehabilitation	16 808 590	-	(1 023 611)	-	1 421 402	17 206 381
Legal proceedings	805 709	285 568	-	(805 709)	-	285 568
	17 614 299	**285 568**	**(1 023 611)**	**(805 709)**	**1 421 402**	**17 491 949**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in estimated closure cost and discount rate	Increase due to unwinding of discount	Total
Environmental rehabilitation	16 419 996	-	(616 063)	1 004 657	16 808 590
Legal proceedings	-	805 709	-	-	805 709
	16 419 996	**805 709**	**(616 063)**	**1 004 657**	**17 614 299**

	2017	2016
Non-current liabilities	17 206 381	16 808 590
Current liabilities	285 568	805 709
	17 491 949	**17 614 299**

Environmental rehabilitation provision

The environment rehabilitation provision relates to the decommissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

Major uncertainties surround the final decommissioning and rehabilitation costs at the end of the useful life and the remaining useful life of the landfill site.

The 2017 valuation was performed by Mr Seakle Godschalk (*Pr Sci Nat, GIMFO)* and Dr Maryana Mohr - Swart, both partners in Environmental & Sustainability Solutions (ESS).

The effective date of the latest valuation is 30 June 2017. Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately. The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date16. The average of the CPI for the last three months amounted to 5.6372%. The government bond rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used as the discount rate. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 2.5% above CPI.

Figures in Rand	2017	2016

17. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

	2017	2016
Carrying value		
Present value of the defined benefit obligation - Post medical aid benefit	(18 601 108)	(17 412 477)
Present value of the defined benefit obligation - Long service award	(3 195 998)	(2 950 397)
	(21 797 106)	**(20 362 874)**

Changes in the present value of the defined benefit obligation (medical aid benefit) are as follows:

	2017	2016
Opening balance	17 412 477	13 174 000
Benefits paid	(270 990)	(312 446)
Net expense recognised in the statement of financial performance	1 459 621	4 550 923
	18 601 108	**17 412 477**

Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance

	2017	2016
Current service cost	1 094 762	657 000
Interest cost	1 572 422	1 217 000
Actuarial (gains) losses	(1 207 563)	2 676 923
	1 459 621	**4 550 923**

Changes in the present value of the long service award obligation are as follows:

	2017	2016
Opening balance	2 950 397	4 177 000
Benefit paid	(328 596)	-
Net expense recognised in the statement of financial performance	574 197	(1 226 603)
	3 195 998	**2 950 397**

Net expense of the long service award recognised in the statement of financial performance

	2017	2016
Current service cost	325 695	300 000
Interest cost	239 226	317 000
Actuarial gains (losses)	9 276	(1 390 308)
Contributions by employer	(328 596)	(453 295)
	245 601	**(1 226 603)**

Key assumptions used

Assumptions used at the reporting date:

Figures in Rand	2017	2016

17. Employee benefit obligations (continued)

Discount rate - Post retirement medical aid	9.96%	8.52%
Salary increase rate	6.26%	7.18%

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	3 224 200	2 206 000

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation (medical aid)	18 601 108	17 412 477	13 174 000	13 683 000	10 780 000
Long service awards obligation	3 195 998	2 950 397	4 177 000	4 559 000	2 129 118

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

18. Service charges

Sale of electricity	49 622 978	45 784 500
Refuse removal	3 228 115	3 215 661
	52 851 093	**49 000 161**

19. Other income

Sundry income	133 110	238 222
Departmental fees	1 348 837	1 373 995
Fees	301 927	109 268
Sales of tender documents	467 019	339 645
Claims of skills development	108 424	137 905
Environmental rehabilitation adjustment	1 023 611	(2 136 235)
	3 382 928	**62 800**

20. Interest received

Interest revenue		
Interest charged on Eskom deposit	16 603	13 739
Interest on cash and cash equivalents	5 762 979	3 239 038
Interest on outstanding receivable balances	4 960 291	3 488 663
Interest on investments	1 672 426	1 437 565
	12 412 299	**8 179 005**

Figures in Rand	2017	2016

21. Property rates

Rates received

Agricultural	11 630 341	10 927 643
Business and commercial	10 722 037	9 915 439
Educational	187 027	150 822
Municipal	-	32 099
Public benefit organisations	65 313	9 897
Public service infrastructure	-	945
Religious	-	18 676
Residential	5 723 847	8 099 498
State owned	1 432 194	8 602
Vacant	1 664 288	12 383
	31 425 047	**29 176 004**

Valuations

Agricultural	1 971 244 160	1 988 564 160
Business and commercial	435 855 200	432 782 200
Educational	32 510 000	41 870 000
Municipal	109 860 010	25 667 000
Public benefit organisations	14 680 000	1 050 000
Public service infrastructure	5 309 220	774 230
Religious	27 138 000	28 079 000
Residential	601 047 400	992 273 100
State owned	186 964 000	1 536 000
Vacant	140 747 000	1 332 000
	3 525 354 990	**3 513 927 690**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a month to month basis.

22. Government grants and subsidies

Operating grants		
Equitable share	117 556 000	118 455 155
Financial Management Grant	1 810 000	1 675 000
Expanded Public Works Programme Grant	1 133 305	1 157 000
	120 499 305	**121 287 155**
Capital grants		
Municipal Infrastructure Grant	37 720 332	46 308 894
Municipal System Improvement Program Grant	-	674 123
	37 720 332	**46 983 017**
	158 219 637	**168 270 172**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	40 663 637	56 167 000
Unconditional grants received	117 467 000	112 103 172

Figures in Rand	2017	2016

22. Government grants and subsidies (continued)

	158 130 637	**168 270 172**

Municipal Infrastructure Grant

Balance unspent at beginning of year	9 108 011	4 707 597
Current-year receipts	29 313 000	52 405 000
Conditions met - transferred to revenue	(37 720 309)	(46 308 894)
Withheld funds	(700 702)	(7 000 000)
Amount over-deducted by National Treasury	-	5 304 308
	-	**9 108 011**

The grant is intended to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.

Municipal System Improvement Programme Grant

Balance unspent at beginning of year	255 880	1 218 620
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(674 123)
Withheld funds	(255 880)	(1 218 617)
	-	**255 880**

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.

Financial Management Grant

Balance unspent at beginning of year	-	77 125
Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
Withheld funds	-	(289 882)
Amount over-deducted by National Treasury	-	212 757
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Energy Efficient and Demand Side Grant

Balance unspent at beginning of year	-	3 606 541
Withheld funds	-	(3 606 541)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to fund energy efficient lighting technologies in municipal buildings, streets and traffic lighting infrastructure.

Figures in Rand	2017	2016

22. Government grants and subsidies (continued)

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	17 115
Current-year receipts	1 258 000	1 157 000
Conditions met - transferred to revenue	(1 133 305)	(1 157 000)
Withheld funds	-	(17 115)
	124 695	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

Equitable Share

Current-year receipts	117 467 000	106 323 000
Transferred to revenue	(117 556 000)	(118 455 156)
Other grants funds withheld	89 000	12 132 156
	-	**-**

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

23. Employee related costs

Basic	43 444 203	38 842 995
13th Cheque and leave	4 102 328	3 785 694
Medical aid - company contributions	2 131 576	1 884 154
Unemployment insurance fund contribution	349 365	307 285
Workmen's compensation	2 100 017	-
Other payroll levies	6 320	19 104
Group life insurance	119 912	101 359
Standby allowance	247 470	210 367
Short term benefit	529 479	436 329
Other short term costs	12 000	12 000
Defined contribution plans	7 900 538	6 973 754
Travel, motor car, accommodation, subsistence and other allowances	6 708 539	4 148 196
Overtime payments	1 321 490	1 249 662
Service cost - long service awards	1 420 457	957 000
SETA levies	581 966	448 881
	70 975 660	**59 376 780**

Remuneration of Municipal manager: Mathebela MM

Annual Remuneration	821 877	584 439
Travel and subsistence allowance	94 425	101 326
Other allowance	84 659	14 976
Contributions to UIF, Medical and Pension Funds	127 064	128 266
Travel claims	62 689	44 233
Backpay	23 245	208 376
SALGA	92	87
Annual bonus	61 347	35 426
	1 275 398	**1 117 129**

Figures in Rand	2017	2016

23. Employee related costs (continued)

Remuneration of chief finance officer: Ramosibi KA

Annual Remuneration	771 760	600 826
Travel and subsistence allowance	-	7 896
Other allowance	31 616	14 976
Backpay	19 470	147 085
Contributions to UIF, Medical and Pension Funds	115 329	114 947
Travel claims	34 555	43 968
SALGA	92	87
	972 822	**929 785**

Remuneration of Director Corporate Services: Lekola MJ

Annual Remuneration	-	433 845
Travel and subsistance allowance	-	1 304
Other allowance	-	11 232
Backpay	-	26 396
Contributions to UIF, Medical and Pension Funds	-	99 574
Annual bonus	-	35 426
Travel claims	-	12 899
Leave pay-out	-	65 589
Acting allowance	-	5 497
SALGA	-	65
	-	**691 827**

Mr MR Mkhwanazi was appointed as the acting Director Corporate Service from 01 August 2016 to 31 October 2016 and his acting allowance was R 4 535.00

Remuneration of Director Technical Services: Monakedi ME

Annual Remuneration	743 927	683 204
Travel and subsistance allowance	120 000	123 706
Other allowance	24 949	14 976
Backpay	24 580	37 696
Contributions to UIF, Medical and Pension Funds	106 513	108 675
Annual bonus	36 312	35 426
Travel claims	30 710	33 662
SALGA	92	87
	1 087 083	**1 037 432**

Remuneration of Director Community Services : Phaahla H

Annual Remuneration	389 945	-
Other allowance	20 550	-
Contributions to UIF, Medical and Pension Funds	62 995	-
Travel claims	8 437	-
SALGA	61	-
	481 988	**-**

Remuneration of Employees:

The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. Remuneration of councillors

Executive Mayor	787 768	784 346
Chief Whip	703 028	605 406
Executive Councillors	2 448 287	2 574 559
Speaker	596 742	685 178
Councillors	6 793 107	5 983 724
	11 328 932	**10 633 213**

In-kind benefits

Remuneration of Councillors:
The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 38 for the detailed breakdown of councillors' remuneration.

25. Depreciation and amortisation

Property, plant and equipment	43 262 612	42 311 103

26. Finance costs

Finance leases	260 528	375 511
Landfill site	1 421 402	1 004 657
Post-retirement medical aid benefit	1 572 422	1 217 000
Long service awards	239 226	317 000
	3 493 578	**2 914 168**

27. Debt impairment

Contributions to debt impairment allowance	9 402 871	5 150 132

28. Repairs and maintenance

Category		
Building	385 671	3 263 511
Community	1 153 332	996 473
Infrastructure	2 556 556	3 712 610
Motor vehicles	2 743 084	1 848 180
	6 838 643	**9 820 774**

29. Bulk purchases

Electricity	29 357 077	27 803 116

Electricity losses:

For the 2016/2017 financial year, distribution losses on electricity amounted to 6% (2015/16:10%). The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Contracted services

Information technology services	2 452 436	2 266 796
Security (Guarding of municipal property)	3 312 896	3 139 640
Valuation roll and GIS	800 377	611 780
Specialist services	6 443 690	2 464 765
	13 009 399	**8 482 981**

31. General expenses

Audit committee expenses and catering	667 868	748 471
Auditors remuneration	3 106 595	3 642 907
Bank charges	331 407	263 153
CONLOG services	212 243	172 117
Cleaning	150 224	139 249
Collection costs	170 066	-
Community development	557 744	557 176
Conferences and seminars	753 221	491 004
Consulting and professional fees	3 266 862	3 362 363
Consumables	186 015	313 258
Consumer connections	13 862	111 337
Electricity	2 742 652	2 039 054
Entertainment	122 755	185 066
Fencing of cemetery	-	57 871
Fuel	3 253 468	1 888 359
Insurance	647 127	735 699
Job evaluation services	-	1 027
Marketing	2 793 486	3 325 264
Mayoral expense	73 445	81 053
Motor vehicle expenses	454 784	431 377
Operating leases	1 432 330	1 668 993
Postage and courier	220 026	238 224
Printing and stationery	614 874	587 326
Promotions and sponsorships	225 367	-
Protective clothing	270 621	271 197
Record management	238 933	-
Refuse	211 440	197 854
Services: adverts	461 977	378 196
Sewerage consumer account	52 530	105 637
Staff welfare	357 571	238 952
Strategic planning	70 501	13 717
Subscriptions and membership fees	831 432	229 766
Telephone and fax	1 301 528	1 306 315
Training	695 056	973 102
Transport and freight	21 000	24 200
Travel - local	750 301	1 085 531
Water	252 691	216 566
	27 512 002	**26 081 381**

32. Fair value adjustments

Investment property (Fair value model)	7 348 000	5 414 700

33. Auditors' remuneration

Fees	3 106 595	3 642 907

Figures in Rand	2017	2016

34. Cash generated from operations

	2017	2016
Surplus	50 698 866	58 068 597
Adjustments for:		
Depreciation and amortisation	43 262 612	42 311 103
Gain on sale of assets - Property, plant and equipment	3 092 520	10 069 878
Gain on sale of assets - investment property	330 000	-
Fair value adjustments	(7 348 000)	(5 414 700)
Finance costs - landfill site provision	1 421 402	1 004 657
Finance income - employee benefit obligation	1 811 648	1 534 000
Movement in employee benefit liability	(1 526 883)	1 286 616
Impairment loss	-	1 524 703
Debt impairment	9 402 871	5 150 132
Movements in retirement benefit assets and liabilities	1 149 467	191 258
Movements in provisions	(1 543 752)	2 941 943
Accumulated surplus	(24)	-
Changes in working capital:		
Inventories	71 538	6 866
Receivables from exchange transactions	(8 756 107)	(17 918 412)
Receivables from non-exchange	(11 678 857)	(5 145 971)
Deposit	(16 603)	(109 554)
Payables from exchange transactions	524 007	6 471 595
VAT receivables	2 774 897	(3 690 013)
Unspent conditional grants and receipts	(9 239 196)	(263 107)
Consumer deposits	(103 450)	(38 591)
	74 326 956	**97 981 000**

35. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	13 214 703	13 214 703
Receivables from non-exchange transactions	42 805 195	42 805 195
Cash and cash equivalents	124 746 340	124 746 340
Deposits	386 721	386 721
	181 152 959	**181 152 959**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 070 550	2 070 550
Payables from exchange transactions	48 699 619	48 699 619
Consumer deposit	1 426 273	1 426 273
Unspent conditional grants and receipts	124 695	124 695
	52 321 137	**52 321 137**

2016

Financial assets

35. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	9 389 595	9 389 595
Receivables from non-exchange transactions	34 886 323	34 886 323
Cash and cash equivalents	105 722 497	105 722 497
Deposits	370 118	370 118
	150 368 533	**150 368 533**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	3 608 341	3 608 341
Payables from exchange transactions	42 243 249	42 243 249
Consumer deposits	1 529 723	1 529 723
Unspent conditional grants and receipts	9 363 891	9 363 891
	56 745 204	**56 745 204**

36. Commitments

Authorised capital expenditure

	2017	2016
Already contracted for but not provided for		
• Property, plant and equipment	23 791 743	16 667 514
Total capital commitments		
Already contracted for but not provided for	23 791 743	16 667 514

Authorised operational expenditure

	2017	2016
Already contracted for but not provided for		
• Security	18 855 831	2 944 350
• Consulting and training	4 495 939	2 145 701
	23 351 770	**5 090 051**
Total operational commitments		
Already contracted for but not provided for	23 351 770	5 090 051

Operating leases - as lessee (expense)

	2017	2016
Minimum lease payments due		
- within one year	-	155 023

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 4 years. No contingent rent is payable.

37. Contingencies

Mohlalerwa & Boledi Construction
The municipality awarded the plaintiff a tender for the rehabilitation of an admin block. The plaintiff submitted an invoice which the municipality refused to settle on the basis that the contractor has already been paid for the work done.

The amount of potential liability is R 1 605 515 (2016/17) and R 1 605 515 (2015/16)

Ephraim Chiloane
The municipality made an offer to transfer Erf 41 Leeuwfontein to the plaintiff.

Council resolved not to effect the transfer because the said property belongs to someone else (Rathlagane Tribe) and not the municipality and that the municipal manager does not have power to dispose of immovable property belonging to the council. The plaintiff approached the court for an order compelling the municipality to effect the transfer.

There is no financial exposure on this matter as the only demand was a property for business purposes. the matter was heard at the North Gauteng High Court on 01 February 2016 and we still await judgment. it is important to mention that the municipality is the respondents in this matter and it is thus the responsibility of the applicant to pursue the matter.

Lesiba Makopo
The applicant was appointed by the municipality as the Director: community on a fixed term contract which came to an end on the 31 March 2014. The post was advertised and he applied, went through the interview process but was not appointed. He then approached the Labour Court for an order setting aside the recommendations of the interview panel and to re-start the whole process of interview. The municipality entered appearance to defend and the applicant is yet to apply for the matter to be set down for trial. The municipality has however instructed its legal team to have the matter heard and or be struck-off the roll.

Phillip Mphahlele
The applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks.
The Hawks did not proceed with criminal case.
The Applicant alleges that the municipality coerced him to resign and that his character has been defamed as a result of the allegations which have been investigated by the Hawks.

The amount of potential liability is R 2 105 500 (2016/17) and R 2 105 500 (2015/16)

Abel Sonti Ngaka
The plaintiff is an employee of the municipality and he did not report for duty and did not furnish the municipality with a medical certificate. The municipality then implemented a no work-no pay principle.

The employee then went to court and demanded the salary, estimated liability is R 10 000 (2016/17) and R 10 000 (2015/16).

Department of Water and Sanitation
The Department of Water & Sanitation sued the municipality the amount of R10 785 216.11 for the provision of water services to the municipality. municipality entered appearance to defend after applicants brought summary judgment application which was successfully opposed and municipality granted leave to defend. Municipality filed exception further on the basis that the particulars of claim does not disclose cause of action and therefore frivolous. It is the municipality's argument that EPMLM is incorrectly cited as the municipality is not water authority as the municipality does not have any contract with DWA. It is further our submission that DWA did not follow IGR processes in pursuing this matter provided for by National Treasury's intergovernmental dispute resolutions.

The amount of the potential liability is R10 785 216.11 (2016/17 and R 0 (2015/16)

Colen Venter
Municipality was sued amount of R 56 000 for motor vehicle damages and the matter is going to court on the 31/08/2017.

The amount of the potential liability is R 56 000 (2016/17) and R 0 (2015/16)

Moses Mogotleng Kgopane
The plaintiff sued the municipality the amount of R 1 000 000 for pain and suffering, loss of future income & others allegedly for falling into a pit which was allegedly dug and left opened by the municipal officials. The municipality is sued as the second defendant. The incident allegedly occurred on the 14 June 2014.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

37. Contingencies (continued)
The amount of the potential liability is R 1 000 000 (2016/17) and R 0 (2015/16. The matter is still in progress

38. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Key management	Refer to note 23
Executive Mayor	Refer to details below
Speaker	Refer to details below
Chief Whip	Refer to details below
Mayoral Committee	Refer to details below

38. Related parties (continued)

Remuneration of management

Remuneration of Councillors

2017

38. Related parties (continued)

	Annual remuneration	Travel allowance	Other allowance	Backpay	Pension	Travel and subsistence claims	Public office allowance	Total
Executive Mayor:								
Kupa C	537 863	-	55 587	-	101 310	-	6 922	701 682
Mmakola MY	42 343	20 893	2 514	-	7 106	-	13 230	86 086
Modisha LB	360 144	123 310	25 639	-	67 091	39 004	20 000	635 188
Ratau MF	42 243	-	2 514	-	7 106	2 747	13 230	67 840
Mothongwane M	389 864	101 068	25 291	-	65 888	7 709	6 922	596 742
Motsepe M	341 269	99 489	23 365	-	61 059	6 338	6 922	538 442
Jacobs PR	215 556	-	26 886	1 501	35 893	855	7 199	287 890
Makanyane GN	336 756	111 634	25 639	-	63 016	31 344	20 000	588 389
Lenstoane R	334 856	106 596	23 365	-	59 993	20 799	6 922	552 531
Makola L	176 592	65 452	23 365	-	32 172	855	6 922	305 358
Seoka KM	28 450	15 670	2 514	-	5 330	3 453	13 230	68 647
Mahloboagoane ST	28 450	15 670	2 514	-	5 330	4 685	13 230	69 879
Makitla TS	17 480	-	2 514	-	3 927	-	13 230	37 151
Aphane MA	142 659	30 921	25 150	3 832	26 242	-	7 199	236 003
Boshielo C	150 868	38 095	37 718	30 537	27 690	7 665	7 199	299 772
Bokaba HSM	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Bogopa JH	4 367	5 038	2 514	1 008	2 285	1 717	13 230	30 159
Chauke S	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
De Beer FJ	187 151	-	23 364	(13 471)	31 759	-	7 199	236 002
Kekana MJ	145 607	34 729	26 889	3 832	28 526	2 158	17 199	258 940
Kekana KN	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Kekana MM	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Lenstoane MC	176 151	-	26 553	4 778	34 615	-	20 400	262 497
Mabaso TL	139 423	34 729	25 150	3 831	25 670	-	7 199	236 002
Madileng	139 423	34 729	25 150	3 832	25 670	954	7 199	236 957
Matlala F	176 143	53 765	40 213	30 740	34 742	17 334	20 400	373 337
Makola F	139 423	34 729	25 150	3 832	25 670	5 273	7 199	241 276
Mashoeshoe H	150 868	38 095	37 718	30 537	27 690	10 222	7 199	302 329
Monama M	139 423	34 729	25 150	3 832	25 670	-	7 199	236 003
Molatudi L	150 868	38 095	37 718	30 537	27 690	5 409	7 199	297 516
Mashego M	168 942	-	24 244	4 738	30 880	2 559	7 199	238 562
Moimana G	168 942	-	24 244	4 738	30 880	-	7 199	236 003

38. Related parties (continued)

Matji P	143 684	30 921	25 150	3 873	26 242	878	7 199	237 947
Manasoe M	142 659	30 921	25 150	3 832	26 242	668	7 199	236 671
Mohlala L	139 423	34 729	25 150	3 832	25 670	4 623	7 199	240 626
Mapo M	19 330	-	1 765	-	-	-	-	21 095
Mabaso WM	4 637	5 038	2 514	1 008	2 285	1 759	13 230	30 471
Ndokeni NR	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Morwashi ME	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Nchabeleng MJ	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Mashego BG	4 637	5 038	2 514	1 008	2 285	369	13 230	29 081
Mphahlele LJ	4 637	5 038	2 514	1 008	2 285	-	13 230	28 712
Mokonyane MJ	7 874	1 230	2 514	1 008	2 856	-	13 230	28 712
Molotshwa FK	2 503	-	482	-	-	-	2 773	5 758
Mothwa NM	7 874	1 230	2 514	1 008	2 856	-	13 230	28 712
Phala MG	4 367	5 038	2 514	1 008	2 285	-	13 230	28 442
Phatlana N	127 779	29 184	24 379	3 873	26 079	1 218	20 400	232 912
Phefadi MG	194 865	6 545	26 211	3 238	37 917	4 181	20 000	292 957
Phokwana R	139 423	34 729	25 150	3 832	25 670	5 395	7 199	241 398
Ranoto P	142 948	43 467	44 504	41 982	28 057	8 219	17 199	326 376
Sehlola ET	4 637	5 038	2 514	1 008	2 285	4 199	13 230	32 911
Sedibane FS	183 249	-	30 135	38 120	33 405	1 862	7 199	293 970
Seono MR	4 367	5 038	2 514	1 008	2 285	2 482	13 230	30 924
Sindana R	139 423	34 729	25 150	3 832	25 670	-	7 199	236 003
Tema SA	149 133	23 305	25 150	3 832	27 384	845	7 199	236 848
Tshiguvho EM	4 637	5 038	2 514	1 008	2 285	1 527	13 230	30 239
	6 636 669	**1 378 958**	**967 232**	**275 008**	**1 240 938**	**209 305**	**620 822**	**11 328 932**

2016

Notes to the Annual Financial Statements

Figures in Rand

38. Related parties (continued)

	Annual remuneration	Travel allowance	Other allowance	Backpay	Pension	UIF	Travel and subsistence claims	SDL	Public office allowance	Total
Executive Mayor:										
MMakola MY	348 538	183 740	20 868	20 458	85 276	5 466	-	-	120 000	784 346
Ratau MF	348 538	-	20 868	17 289	82 683	-	12 019	4 009	120 000	605 406
Modisha LB	254 830	146 992	20 868	18 442	66 146	-	53 605	4 294	120 000	685 177
Mahlobogoane St	231 404	137 805	20 868	17 289	62 012	-	44 916	4 002	120 000	638 296
Makita TS	138 223	-	20 868	10 377	45 569	-	1 511	2 057	120 000	338 605
Matlala MF	231 403	137 805	20 868	17 289	62 012	-	1 533	4 002	120 000	594 912
Monyamane EM	55 883	33 680	5 217	-	15 156	-	9 177	966	30 000	150 079
Phefadi MG	73 667	75 948	20 868	10 377	34 176	-	-	2 037	120 000	337 073
Seoka KM	149 338	99 635	20 868	43 586	47 530	-	31 483	3 155	120 000	515 595
Bogopa JH	30 237	44 187	20 868	7 544	26 512	-	2 514	1 381	120 000	253 243
Bokana HSM	30 237	44 187	20 868	7 544	26 512	-	-	1 381	120 000	250 729
Chauke S	30 237	44 187	20 868	7 544	26 512	-	-	1 381	120 000	250 729
Esson BA	41 157	-	13 377	7 544	21 717	-	-	906	76 922	161 623
Kekana KN	30 237	44 187	20 868	7 544	26 512	-	9 053	1 381	120 000	259 782
Kekana MJ	46 464	-	15 116	3 979	25 057	-	-	1 003	90 000	181 619
Kekana MM	30 237	44 187	20 868	7 544	26 512	-	4 542	1 380	120 000	255 270
Lenstoane M	20 088	-	5 237	1 853	9 886	-	-	394	34 615	72 073
Mabaso WM	30 237	44 187	20 868	6 639	27 418	-	4 856	-	120 000	254 205
Makanyane GN	30 237	44 187	20 868	7 544	26 512	-	3 213	1 381	120 000	253 942
Mamogobo SC	30 237	44 187	20 868	7 544	26 512	-	16 170	1 381	120 000	266 899
Mashego BG	30 237	44 187	20 868	7 544	26 512	-	15 650	1 381	120 000	266 379
Mokonyane MJ	67 797	-	20 868	7 544	33 141	-	-	1 399	120 000	250 749
Molotshwa FK	67 797	-	20 868	7 544	33 141	-	-	1 431	120 000	250 781
Morwaswi ME	30 237	44 187	20 868	7 544	26 512	-	3 003	1 381	120 000	253 732
Mothwa NM	67 797	-	20 868	7 544	33 141	-	-	1 480	120 000	250 830
Mphahlele LJ	30 237	44 187	20 868	7 544	26 512	-	2 023	1 381	120 000	252 752
Nchabeleng MJ	30 237	44 187	20 868	7 544	26 512	-	4 919	1 381	120 000	255 648
Ndobeni NR	30 237	44 187	20 868	7 544	26 512	-	6 035	1 381	120 000	256 764
Phala MG	30 237	44 187	20 868	7 544	26 512	-	10 148	1 381	120 000	260 877
Phatlane NF	41 196	-	13 377	2 901	22 363	-	2 755	881	80 000	163 473
Ranoto P	30 237	44 187	20 868	7 544	26 512	-	3 603	1 381	120 000	254 332
Sehlola ET	30 237	44 187	20 868	7 544	26 512	-	28 280	1 381	120 000	279 009

Notes to the Annual Financial Statements

Figures in Rand

38. Related parties (continued)

Seono MR	30 237	44 187	20 868	7 544	26 512	-	20 656	1 381	120 000	271 385
Tshiguvho EM	30 237	44 187	20 868	7 544	26 512	-	6 170	1 381	120 000	256 899
	2 728 386	**1 610 971**	**657 496**	**328 903**	**1 157 128**	**5 466**	**297 834**	**55 492**	**3 791 537**	**10 633 213**

Figures in Rand	2017	2016

39. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk.

Liquidity risk

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

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to 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.

40. 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.

41. Unauthorised expenditure

Opening balance	-	102 916 228
Amount condoned by council (2014/15)	-	(5 915 515)
Amount condoned by council (2013/14)	-	(97 000 713)
	-	**-**

42. Fruitless and wasteful expenditure

Opening balance	327 436	674 878
Add: Fruitless and wasteful expenditure	44 224	14 704
Amount condoned by council (14/15)	(94 310)	(362 146)
Amount condoned by council (15/16)	(13 582)	-
Amount written off by council (15/16)	(219 544)	-
	44 224	**327 436**

The opening balance of the fruitless and wasteful relate to 2015/16 and 2014/15, MPAC investigated fruitless and wasteful expenditure as delegated by council, They concluded that none occurred as a result of deliberate wrong doing or negligence and recommended to council to write off accordingly . Council wrote off fruitless and wasteful expenditure.

The current year fruitless and wasteful expenditure was referred to MPAC for further investigation. Management is awaiting the outcome of the investigation.

Fruitless and wasteful expenditure consists of		
Interest on overdue accounts	9 505	14 704
Cancelation of flights	1 500	-
Corrections on tender advertisements	29 299	-
Official did not attend training	3 920	-
	44 224	**14 704**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

43. Irregular expenditure

	2017	2016
Opening balance	44 966 567	93 527 420
Add: Irregular Expenditure - current year	3 693 088	19 760 508
Less: Amount written off by council (2013/14)	-	(35 097 856)
Less: Amount written off by council (2013/14)	-	(33 223 505)
Less: Amount written off by council (2015/2016)	(44 966 567)	-
	3 693 088	**44 966 567**

Analysis of expenditure awaiting condonation per age classification

	2017	2016
Current year	3 693 088	-
Prior years	-	44 966 567
	3 693 088	**44 966 567**

Details of irregular expenditure – current year

Maesh (Pty) Ltd	Unfair practice exercise - Open tender did not run for 30 days	808 500
NJ Nkosana Business Enterprise	Unfair practise exercise - Open tender did not run for 30 days	514 100
Manthabo2 Air-conditioning	Amount paid to supplier exceeded the contract value	229 793
Reign Travel	The transaction was procured without following the quotation process	249 450
Reign Travel	The transaction was procured without following the quotation process	68 110
Ashcor Travel	The transaction was procured without following the quotation process	93 210
Batsumi Travel	The transaction was procured without following the quotation process	48 169
Nekololo Business Enterprise	The transaction was procured without following the quotation process	155 460
Reign Travel	The transaction was procured without following the quotation process	77 652
Lookout Logde	The transaction was procured without following the quotation process	192 500
Kusile Guest House	The transaction was procured without following the quotation process	33 760
Patrick Makgoka Construction	Unfair practise exercise - Open tender did not run for 30 days	666 411
Giftron Distribution	Non-compliance with regards to local content	470 814
Mayivuthe contractors	Non-compliance with regards to local content	32 509
Tlhabo Ya Letsetsi Trading & projects	Non-compliance with regards to local content	52 650
		3 693 088

Details of irregular expenditure written off

The opening balance of irregular expenditure relates to 2015/2016 and 2014/2015. MPAC investigated the irregular expenditure as delegated by council. They concluded that none of the irregular expenditure was as a result of deliberate wrong doing or negligence and therefore recommended to council to write the expenditure incurred. Accordingly council wrote off the irregular expenditure.	Written off by Council	44 966 567

Figures in Rand	2017	2016

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	657 460	629 750
Amount paid - current year	(657 460)	(629 750)
	-	-

Audit fees

Current year subscription / fee	3 106 595	3 642 907
Amount paid - current year	(3 106 595)	(3 642 907)
	-	-

PAYE and UIF

Current year subscription / fee	11 956 239	10 186 293
Amount paid - current year	(11 956 239)	(10 186 293)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	17 331 171	12 395 695
Amount paid - current year	(17 331 171)	(12 395 695)
	-	-

VAT

VAT receivable	2 626 526	5 401 423

VAT output payables and VAT input receivables are shown in note 7.

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

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

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 be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Emergency	-	6 270
Sole supplier or agent	555 854	687 277
Impossible or impractical	1 037 724	2 014 750
	1 593 578	**2 708 297**

45. Impairment of assets

Impairments

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

45. Impairment of assets (continued)

Property, plant and equipment	-	1 524 703

The impairment of the landfill site is due to the fact that the entity considered that there is an indication that the full carrying value of the asset is not recoverable.In terms of IGRAP2 if there is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss. The test was performed and the complete trading service and recoverable amount is applicable. The calculated impairment is disclosed as R1 524 703 for the 2016 financial year.

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Figures in Rand	2017	2016

46. Budget differences

Material differences between budget and actual amounts

1.Variance is as a results of private uses, spending more in electricity.

2. Variance is as a result of less usage than anticipated in the budget.

3. More licensing and permit were issued more than anticipated budget due to Groblersdal offices which were closed for sometimes.

4. Variance is as a result of budgeting agency services for department of transport.

5. Variance is as a results of delays in spending on capital projects which lead to higher interest received.

6. Variance is as a result of continued data cleansing and supplementary valuation roll.

7. Variance is as a result of national treasury withholding unsent grant

8. Variance is as a result of budgeting fines on cash basis whereas the actual figure is on accrual basis.

9. Variance is as result of budgeting workmens compensation under other expenditure.

10. The variance is as a results of the loss/death of one councillor

11. Variance is as a result of interest incurred on leases

12. Variance is as a result of underestimate of bad debts written off.

13. Variance is as a result of budgeting collection cost under other expenditure.

14. Repair and maintenance are done as and when need arises the variance is the saving.

15. Variance is immaterial

16. The variance is as a result of savings on contracted services.

17. Transfer and subsidies where more than anticipated

18. Variance is caused by incorrectly budgeting for separate line items inside general expenditure

19. Actuarial Gain/ (Losses) variance arises as a results of budgeting it under general expenditure instead of a separate.

20. The variance in total assets is caused by underestimate in budget.

21.The variance in total liabilities is caused by underestimate in budget.

22. The variance is a result of underestimate on depreciation.

23. The variance is a result of the assets being written off.

24. The variance as a result of accounting for land on sale fair value adjustment 2017.

25. The net assets variance is a result of the net assets overestimate in budget.

26. The variance on the operating activities is a result of savings in payment on suppliers

27. The variance on the investing activities is a result of less spending on capital expenditure.

28. The variance on financing activities is a result of pay more finance leases than anticipated.

29. The variance is result of more estimate on cash and cash equivalents at the beginning.

47. Comparative figures

Certain comparative figures have been reclassified.

Certain votes were previously disclosed as part of General expenditure. In order to accurately reflect the allocations of these accounts the mapping of these incorrectly classified amounts was corrected. As such the amounts were reclassified between these line items.

Statement of financial performance - extract

	Reclassification
Grants and subsidies paid	(42 880)
Repairs and maintenance	1 972 340
Contracted services	3 802 645
General expenditure	(5 732 105)
Total	**-**

48. Deposits

A security deposit of R 386 721 (2016: R 370 118) is held by Eskom who is the bulk electricity supplier of the municipality.

49. Prior period errors

Below is a summary of the total effect that the prior period errors and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance **Revenue**	Balance as previously reported	Prior period error	Reclassification	Total
Service charges	(49 000 161)	-	-	(49 000 161)
Rental income	(126 558)	-	-	(126 558)
Interest received - trading	(8 179 005)	-	-	(8 179 005)
Licenses and permits	(3 994 013)	-	-	(3 994 013)
Fines, penalties and forfeits	(1 553 784)	-	-	(1 553 784)
Other income	(3 382 271)	3 319 471	-	(62 800)
Property rates	(29 797 752)	621 748	-	(29 176 004)
Government grants and subsidies	(168 270 172)	-	-	(168 270 172)
	(264 303 716)	**3 941 219**	**-**	**(260 362 497)**
Expenses				
Employee related cost	59 376 780	-	-	59 376 780
Remuneration of councillors	10 633 213	-	-	10 633 213
Collection cost	845 527	-	-	845 527
Grants and subsidies paid	1 936 760	(485 652)	(42 880)	1 408 228
Depreciation and amortisation	41 399 062	912 041	-	42 311 103
Impairment loss	1 524 703	-	-	1 524 703
Finance cost	2 428 839	485 329	-	2 914 168
Debt impairment	3 497 031	-	1 653 101	5 150 132
Repairs and maintenance	7 879 034	(30 600)	1 972 340	9 820 774
Bulk purchases	27 803 116	-	-	27 803 116
Contracted services	4 680 336	-	3 802 645	8 482 981
General expenses	29 906 876	1 906 610	(5 732 105)	26 081 381
Loss on disposal	9 274 607	795 271	-	10 069 878
	201 185 884	**3 582 999**	**1 653 101**	**206 421 984**

49. Prior period errors (continued)

Fair value adjustments	(5 804 700)	390 000	-	(5 414 700)
Actuarial gain / (loss)	1 286 616	-	-	1 286 616
	(4 518 084)	**390 000**	**-**	**(4 128 084)**

Statement of financial position **Current assets**	Balance as previously reported	Prior period error	Reclassification	Total
Inventory	791 885	-	-	791 885
Receivables from exchange transactions	9 399 366	(9 771)	-	9 389 595
VAT receivable	5 316 377	85 047	-	5 401 424
Receivables from non-exchange transactions	34 886 323	(1 353 101)	-	33 533 222
Cash and cash equivalents	113 249 023	(7 526 525)	-	105 722 498
Deposits	339 518	30 600	-	370 118
	163 982 492	**(8 773 750)**	**-**	**155 208 742**
Non-current assets				
Investment property	57 562 700	30 352 001	-	87 914 701
Property, plant and equipment	803 262 197	8 825 444	-	812 087 641
Heritage assets	81 647	-	-	81 647
	860 906 544	**39 177 445**	**-**	**900 083 989**
Current liabilities				
Finance lease obligation	(1 537 792)	-	-	(1 537 792)
Payables from exchange transactions	(41 597 441)	(645 807)	-	(42 243 248)
Consumer deposits	(1 529 723)	-	-	(1 529 723)
Unspent conditional grants	(9 363 891)	-	-	(9 363 891)
Provisions	(805 709)	-	-	(805 709)
	(54 834 556)	**(645 807)**	**-**	**(55 480 363)**
Non-current liabilities				
Finance lease obligation	(2 070 549)	-	-	(2 070 549)
Employee benefit obligations	(20 362 874)	-	-	(20 362 874)
Provisions	(6 055 872)	(10 752 718)	-	(16 808 590)
	(28 489 295)	**(10 752 718)**	**-**	**(39 242 013)**
Net assets				
Revaluation reserve	(81 647)	-	-	(81 647)
Accumulated surplus - opening balance	(941 483 538)	(20 358 269)	-	(961 841 807)
(Surplus) / deficit for the year	(67 635 916)	7 914 218	-	(59 721 698)
	(1 009 201 101)	**(12 444 051)**	**-**	**(1 021 645 152)**

The reclassifications are due to changes in the mapping of accounts refer note 47.

1. Cash and cash equivalents

During the process of investigating and addressing the reconciling items outstanding on the 30 June 2016 bank reconciliation transactions were identified which were not accounted for in prior years. The differences related to transactions which were duplicated o the general ledger or which were accounted for at the incorrect amount.
These errors were corrected in the applicable year that they occurred.

49. Prior period errors (continued)

Statement of financial position		
Cash and cash equivalents	-	(7 526 525)
Payables from exchange transactions	-	(857 482)
Receivables from exchange transactions	-	(9 771)
Accumulated surplus balance 1 June 2015	-	6 346 009
	-	**(2 047 769)**

Statement of financial performance		
General expenditure	-	2 047 769

2. Investment property - stand 2145

During the process of compiling the investment register for the current year stand 2145 was identified as registered in the name of the municipality at the deed office. The property was not previously included in the register and change is also not due to a sale and purchase agreement in the current or prior year which could account for the additional property. The comparative statements for the 2016 have been restated to account for the property.
The effect of the restatement is as follows:

Statement of financial position		
Investment properties	-	110 000
Accumulated surplus balance at 1 July 2015	-	(100 000)
	-	**10 000**

Statement of financial performance		
Fair value adjustment	-	10 000

3. Investment property - ext 6

The investment properties were restated for properties not accounted for previously in extension 6 Marble Hall. These properties were subject to a joint development program and were previously not accounted for as the detail control over these properties were uncertain. Management reviewed the contracts and ownership of the extension 6 properties and started a process to review the sale and account for the properties during the financial year. This resulted in a restatement of 34, 352 000 in 2015.

Statement of financial position		
Investment property	-	34 352 000
Accumulated surplus balance at 1 July 2015	-	(34 352 000)
	-	**-**

4. Property, plant and equipment - zero value

With the review of useful lives on the current year movable asset register all fully depreciated assets as at the end of the 2016 financial year were restated. The comparative statements for 2016 have been restated to account for the error.
The effect of the restatement is summarised below:

Statement of financial position		
Property, plant and equipment	-	8 556 062
Accumulated surplus balance at 1 July 2015	-	(10 202 667)
	-	**(1 646 605)**

Notes to the Annual Financial Statements

Figures in Rand

49. Prior period errors (continued)

Statement of financial performance		
Depreciation and amortisation	-	851 334
Loss on disposal of assets	-	795 271
	-	**1 646 605**

5. Property, plant and equipment - addition

During the financial year an addition to plant and machinery to 2016 financial year was identified. The cost was incorrectly expensed to grants and subsidies paid. The comparative statements for 2016 have been restated to account for the addition. The effect of the restatement is summarised below:

Statement of financial position		
Property, plant and equipment	-	424 945

Statement of financial performance		
Depreciation and amortisation	-	60 707
Grants and subsidies paid	-	(485 652)
	-	**(424 945)**

6. Property, plant and equipment - Work-in-progress

The comparative statements for 2016 have been restated to account for the addition to work-in-progress omitted in the prior year.
The effect of the restatement is summarised below:

Statement of financial position		
Property, plant and equipment	-	141 160

Statement of financial performance		
General expenditure	-	(141 160)

7. Environmental rehabilitation provision

The assessment of the environmental rehabilitation provision was performed by ESS Environmental & Sustainability Solutions CC. The assumptions and method used by the service provider differs significantly from that of the previous financial year. In an effort to ensure comparability of the liability the prior year provision has been restated.
The effect of the restatement is summarised as follows:

Statement of financial position		
Provisions	-	(10 752 718)
Accumulated surplus balance at 1 July 2015	-	6 947 918
	-	**(3 804 800)**

Statement of financial performance		
Finance cost	-	485 329
Other income	-	3 319 471
	-	**3 804 800**

8. Property rates

Correction of rates for the 2015/2016 financial year.

49. Prior period errors (continued)

Statement of financial position		
Accumulated surplus balance 1 July 2015	-	(621 748)

Statement of financial performance		
Property rates	-	621 748

9. Work in progress

During review of the amounts recorded in the work in progress register it was identified that the Moganyane access road was included as a VAT inclusive amount.

Statement of financial position		
Property, plant and equipment	-	(85 047)
VAT receivable	-	85 047
	-	**-**

10. Work in progress

During our review of the work in progress register we identified that the Dichoeung project was incorrectly decreased by a release of a retention amount..

49. Prior period errors (continued)

Statement of financial position		
Property, plant and equipment	-	(211 675)
Trade creditors	-	211 675
	-	**-**

11. ESKOM deposit

During our review of the repairs and maintenance accounts we identified amounts incorrectly captured to repairs and maintenance which actually represented deposits paid to ESKOM.

Statement of financial position		
Deposits	-	30 600

Statement of financial performance		
Repairs and maintenance	-	(30 600)

12. Investment property - stand 470, 532 and 585

During the process of compiling the investment property register for the current year stand 470, 532 and 585 was identified on the register, however they are not registered in the name of the municipality and are not under the municipality's control. There were no sale and purchase agreements in the current or prior year which would have resulted in the sale of these properties. The properties were therefore retrospectively removed from the register. The comparative statement have been restated.
The effect of the restatement is summarised below:

Statement of financial position		
Investment property	-	(4 110 000)
Accumulated surplus balance at 1 July 2015	-	3 720 000
	-	**(390 000)**

Statement of financial performance		
Fair value adjustment	-	390 000

13. Non registered property rates accounts

During the year it was identified that there were a number of property rates accounts in the debtors ledger which had no owner attributed to them. Although these amounts had previously been impaired it was decided to impair them 100%. The effect of the adjustment is as follows:

Statement of financial performance		
Receivables from non-exchange transactions	-	(1 653 101)

Statement of financial performance		
Debt impairment	-	1 653 102