Moqhaka Local Municipality
Financial statements
for the year ended 30 June 2017

General Information

Jurisdiction Number	Municipal demarcation code FS201
Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
Nature of business and principal activities	Moqhaka is a local municipality performing functions as set out in the constitution (Act 105 of 1996)
Mayoral committee	
Executive Mayor	Koloi, MA
Speaker	Chakane, MS
Council Whip	Phooko, P
Members of the Mayoral Committee	Green, MM
	Magadlela, ZS
	Kokami, KL
	Manefeldt, ZJC
	Mokoena, S
	Moletsane, ER
	Mpondo, VL
	Rooskrans, B
	Tladi, SB
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mqwathi, MS
Chief Finance Officer (CFO)	Marumo, T
Registered office	Municipal Offices Hill Street Kroonstad 9499
Business address	Municipal Offices Hill Street Kroonstad 9499
Postal address	PO Box 302 Kroonstad 9500
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Du Randt & Louw Majavu Incorporated Lebea & Associates Attorneys

General Information

Preparer	The financial statements were internally compiled by: The CFO
Members of council	Baba, JM Boeije, HME Bolofo, LD Dalton, CM Geldenhuis, J Hattingh, JM Khasudi, D Khunyeli, JM Leboko, OA Lithupa, MJ Makae, HG Mahlatsi, MS Mahlatsi, JR Malejoane, AM Marako, TJ Mareka, J Mntuze, ME Modisenyane, MJ (Deceased) Mofokeng, TA Mokodutlo, NP Mokotedi, MV Morabe, TD Nhlapo, M Nzunga, DN Pietersen, ML Pittaway, SH Ramathibe, BS Ramathibe, ME Serapela, DJ Thajane, MI Van Schalkwyk, L Viljoen, AH Yho-Yho, M

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
GRAP	Generally Recognised Accounting Practice
MMC	Member of Mayoral Committee
HDF	Housing Development Fund
IAS	International Accounting Standards
FMG	Financial Management Grant
IPSAS	International Public Sector Accounting Standards
COGTA	Cooperative Governance and Traditional Affairs
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IDP	Integrated Development Plan
DWS	Department of Water and Sanitation
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers (Previously known as IMFO)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provicial and Local Government's determination in accordance with this Act.

The financial statements set out on pages 6 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on the 31 August 2017:

Mqwathi, MS
Accounting Officer

Kroonstad

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Moqhaka Municipal Area.

The net deficit for the municipality for the year is R 138 612 701 (2016: deficit R 85 083 902).

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 2 098 276 199 and that the municipality's total assets exceeds its total liabilities by R 2 098 276 199.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2017.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Non-current assets

No major changes were experienced within the non-current assets.

7. Accounting Officer

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

Name	Nationality
Mqwathi, MS	South African

8. Auditors

Auditor General of South Africa (AG-SA).

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	6 312 007	11 845 788
Receivables from exchange transactions	4	122 684 785	87 751 235
Inventories	5	13 835 979	12 109 585
Receivables from non-exchange transactions	6	20 808 968	18 877 154
		163 641 739	**130 583 762**
Non-Current Assets			
Long term debtors	4	6 933 697	7 028 943
Investments	7	228 103	232 911
Heritage assets	8	2 163 451	2 163 451
Investment property	9	161 072 396	158 937 697
Property, plant and equipment	10	2 173 122 145	2 235 724 458
Intangible assets	11	3 569 014	3 883 130
		2 347 088 806	**2 407 970 590**
Total Assets		**2 510 730 545**	**2 538 554 352**
Liabilities			
Current Liabilities			
Consumer deposits	12	12 783 933	12 720 144
Finance lease obligation	13	668 946	646 563
Other financial liabilities	14	1 303 252	1 218 947
Payables from exchange transactions	15	293 953 833	167 914 043
Unspent conditional grants and receipts	16	110 328	339 282
VAT payable	17	16 050 324	25 047 965
		324 870 616	**207 886 944**
Non-Current Liabilities			
Finance lease obligation	13	9 696	678 642
Other financial liabilities	14	21 062 583	22 408 954
Employee benefit obligation	18	35 037 000	40 796 000
Provisions	19	31 474 451	29 894 911
		87 583 730	**93 778 507**
Total Liabilities		**412 454 346**	**301 665 451**
Net Assets		**2 098 276 199**	**2 236 888 901**
Accumulated surplus		2 098 276 199	2 236 888 901

* See Note 50

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Government grants & subsidies	22	209 850 606	265 079 643
Property rates	23	52 375 071	48 467 154
Service charges	24	380 575 963	356 697 207
Donated assets	25	150 769	271 360
Rental of facilities and equipment	26	7 584 352	5 998 753
Fees earned	27	743 280	1 179 594
Dividends received	28	5 349	11 831
Interest received	28	20 772 166	17 724 177
Other income	29	11 448 088	9 988 552
Discount received	30	3 949	90 025
Fines	31	2 624 854	2 634 920
Total revenue		**686 134 447**	**708 143 216**
Expenditure			
Employee related costs	32	229 461 714	209 760 411
Remuneration of councillors	33	16 777 176	17 824 721
Debt Impairment	34	51 128 872	66 683 498
Depreciation and amortisation	35	110 613 036	108 847 118
Impairment loss on assets	36	-	1 332 184
Finance costs	37	19 821 993	8 562 250
Contracted services	38	25 731 473	27 431 000
Repairs and maintenance	39	56 585 784	52 560 634
Grants and subsidies paid	40	3 347 423	3 346 719
Bulk purchases	41	225 422 287	219 313 202
General Expenses	42	90 352 850	87 109 501
Total expenditure		**829 242 608**	**802 771 238**
Operating surplus / (deficit)		**(143 108 161)**	**(94 628 022)**
Inventories write-ups / (write-downs)	5	219 126	1 714 657
Gain / (Loss) on disposal of assets	43	(7 837 260)	(2 228 931)
Gain / (Loss) on fair value adjustments	44	2 180 595	5 197 896
Actuarial gains / (losses) on employees benefit obligation	45	9 932 999	5 243 759
		4 495 460	**9 927 381**
Surplus / (deficit) for the year		**(138 612 701)**	**(84 700 641)**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 319 194 205	2 319 194 205
Adjustments		
Prior year adjustments (Refer Note 50)	2 395 337	2 395 337
Balance at 01 July 2015 as restated*	**2 321 589 542**	**2 321 589 542**
Changes in net assets		
Surplus / (Deficit) for the year	(84 700 641)	(84 700 641)
Total changes	(84 700 641)	(84 700 641)
Restated* Balance at 01 July 2016	**2 236 888 900**	**2 236 888 900**
Changes in net assets		
Surplus / (Deficit) for the year	(138 612 701)	(138 612 701)
Total changes	(138 612 701)	(138 612 701)
Balance at 30 June 2017	**2 098 276 199**	**2 098 276 199**

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		350 358 953	340 622 826
Grants		209 621 652	264 725 506
Interest income		20 772 166	17 724 177
Dividends received		5 349	11 831
Other receipts		17 248 383	18 665 476
		598 006 503	641 749 816
Payments			
Employee costs		(241 046 946)	(218 767 901)
Suppliers		(285 279 575)	(324 205 727)
Finance costs		(19 821 994)	(8 562 258)
		(546 148 515)	(551 535 886)
Net cash flows from operating activities	47	**51 857 988**	**90 213 930**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(55 483 141)	(106 399 326)
Purchase of intangible assets	11	-	(2 513 504)
Net cash flows from investing activities		**(55 483 141)**	**(108 912 830)**
Cash flows from financing activities			
Increase (Decrease) in Long term loans		(1 262 066)	(1 165 651)
Increase (Decrease) in finance lease liabilities		(646 562)	1 150 033
Net cash flows from financing activities		**(1 908 628)**	**(15 618)**
Net increase/(decrease) in cash and cash equivalents		**(5 533 781)**	**(18 714 518)**
Cash and cash equivalents at the beginning of the year		11 845 788	30 560 306
Cash and cash equivalents at the end of the year	3	**6 312 007**	**11 845 788**

The indirect method is used to present the cash flow statement.

* See Note 50

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 by source						
Property rates	65 709 000	1 360 000	**67 069 000**	52 375 071	**(14 693 929)**	23
Service charges	467 476 000	7 546 000	**475 022 000**	380 575 963	**(94 446 037)**	24
Investment revenue	872 000	-	**872 000**	1 367 544	**495 544**	28
Transfers recognised - operational	160 968 000	-	**160 968 000**	209 850 606	**48 882 606**	22
Other revenue	41 547 000	(6 674 000)	**34 873 000**	54 297 983	**19 424 983**	21
Total Revenue (excluding capital transfers and contributions)	**736 572 000**	**2 232 000**	**738 804 000**	**698 467 167**	**(40 336 833)**	
Expenditure by type						
Employee costs	(214 458 000)	4 647 000	**(209 811 000)**	(229 461 714)	**(19 650 714)**	32
Remuneration of councillors	(18 543 000)	1 348 000	**(17 195 000)**	(16 777 176)	**417 824**	33
Debt impairment	(5 898 000)	-	**(5 898 000)**	(51 128 872)	**(45 230 872)**	34
Depreciation & asset impairment	(8 712 000)	-	**(8 712 000)**	(110 613 036)	**(101 901 036)**	35
Finance charges	(2 699 000)	345 000	**(2 354 000)**	(19 821 993)	**(17 467 993)**	37
Bulk purchases	(234 531 000)	5 991 000	**(228 540 000)**	(224 155 787)	**4 384 213**	38
General expenditure	(235 267 000)	(7 112 000)	**(242 379 000)**	(185 121 290)	**57 257 710**	42
Total expenditure	**(720 108 000)**	**5 219 000**	**(714 889 000)**	**(837 079 868)**	**(122 190 868)**	
Surplus / (Deficit)	**16 464 000**	**7 451 000**	**23 915 000**	**(138 612 701)**	**(162 527 701)**	
Surplus / (Deficit) after capital transfers & contributions	**16 464 000**	**7 451 000**	**23 915 000**	**(138 612 701)**	**(162 527 701)**	
Surplus / (Deficit) for the year	**16 464 000**	**7 451 000**	**23 915 000**	**(138 612 701)**	**(162 527 701)**	

The accounting policies on pages 13 to 39 and the notes on pages 40 to 90 form an integral part of the financial statements.

The variances of the Actual amounts vs Budget that are more than 10% have fully explained in Appendix E1.

Moqhaka Local Municipality

Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	65 709 000	1 360 000	67 069 000	-		67 069 000	52 375 071		(14 693 929)	78 %	80 %
Service charges	467 476 000	7 546 000	475 022 000	-		475 022 000	380 575 963		(94 446 037)	80 %	81 %
Investment revenue	872 000	-	872 000	-		872 000	1 367 544		495 544	157 %	157 %
Transfers recognised - operational	160 968 000	-	160 968 000	-		160 968 000	209 850 606		48 882 606	130 %	130 %
Other own revenue	41 547 000	(6 674 000)	34 873 000	-		34 873 000	54 297 983		19 424 983	156 %	131 %
Total revenue (excluding capital transfers and contributions)	**736 572 000**	**2 232 000**	**738 804 000**	**-**		**738 804 000**	**698 467 167**		**(40 336 833)**	**95 %**	**95 %**
Employee costs	(214 458 000)	4 647 000	(209 811 000)	-	-	(209 811 000)	(229 461 714)	-	(19 650 714)	109 %	107 %
Remuneration of councillors	(18 543 000)	1 348 000	(17 195 000)	-	-	(17 195 000)	(16 777 176)	-	417 824	98 %	90 %
Debt impairment	(5 898 000)	-	(5 898 000)			(5 898 000)	(51 128 872)	-	(45 230 872)	867 %	867 %
Depreciation and asset impairment	(8 712 000)	-	(8 712 000)			(8 712 000)	(110 613 036)	-	(101 901 036)	1 270 %	1 270 %
Finance charges	(2 699 000)	345 000	(2 354 000)	-	-	(2 354 000)	(19 821 993)	-	(17 467 993)	842 %	734 %
Materials and bulk purchases	(234 531 000)	5 991 000	(228 540 000)	-	-	(228 540 000)	(225 422 287)	-	3 117 713	99 %	96 %
Other expenditure	(235 267 000)	(7 112 000)	(242 379 000)	-	-	(242 379 000)	(185 121 290)	-	57 257 710	76 %	79 %
Total expenditure	**(720 108 000)**	**5 219 000**	**(714 889 000)**	**-**	**-**	**(714 889 000)**	**(838 346 368)**	**-**	**(123 457 368)**	**117 %**	**116 %**
Surplus/(Deficit)	**16 464 000**	**7 451 000**	**23 915 000**	**-**		**23 915 000**	**(139 879 201)**		**(163 794 201)**	**(585)%**	**(850)%**
Surplus/(Deficit) for the year	**16 464 000**	**7 451 000**	**23 915 000**	**-**		**23 915 000**	**(139 879 201)**		**(163 794 201)**	**(585)%**	**(850)%**

Accounting Policies

1. Presentation of Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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 tangible assets.

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

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 19 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment as wel as intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the conditional and use of the individual asset. This estimate is based on industry norm. Management will change the depreciation charge where useful lives are more / less than previously estimated.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

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.

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

Accounting Policies

1.3 Investment property (continued)

Investment property is recognised as an asset when, and only 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.

The fair value of investment property reflects market conditions at the reporting date.

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

An investment property shall be derocognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- When the municipality leases out the property and receives rental income.

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:

- Determining any cash generations independant from other assets.
- Purpose of holding the asset, wether generally held to earn rental income or for capital appreciation.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 39).

1.3 Investment property (continued)

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	7 - 80 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	2 - 10 years
Motor vehicles	Straight line	2- 20 years

1.4 Property, plant and equipment (continued)

Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 - 7 years
Infrastructure	Straight line	7 - 80 years
Community	Straight line	7 - 80 years
Quarries	Straight line	15 - 20 years
Landfill sites	Straight line	15 - 80 years
Finance leases - 3G cards	Straight line	2 years
Finance leases - Cellphones	Straight line	2 years
Solid waste	Straight line	15 - 80 years
Waste water network	Straight line	7 - 80 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 39).

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

Impairment
The municipality assess 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 property, plant and equipment.

Transfer
Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

1.5 Site restoration and dismantling cost

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

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

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

1.6 Heritage assets (continued)

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the 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.

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Intangible assets

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	20 years
Computer software, other	Straight line	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.7 Intangible assets (continued)

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

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

1.8 Investments in associates (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

1.8 Investments in associates (continued)

Classification

The entity classifies financial assets and financial liability as reflected on the face of the statement of financial position into the following categories:

- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.8 Investments in associates (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at 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 entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

1.8 Investments in associates (continued)

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

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

Financial assets measured at cost:

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

1.8 Investments in associates (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.8 Investments in associates (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another 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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - lessor

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

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

1.10 Statutory receivables (continued)

Finance leases - lessee

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

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

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

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

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

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

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

Operating leases - lessee

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

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

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

1.11 Inventories (continued)

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Impairment losses are recognised immediately in surplus or deficit.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Impairment losses are recognised immediately in surplus or deficit.

1.14 Equity instruments

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

1.15 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

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

1.15 Employee benefits (continued)

Defined benefit plans

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

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

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs: Recognise past service cost as an expense in the reporting period in which the plan is amended.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of the defined benefit plan is recognised when the curtailment or settlement occurs.

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

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charged to income as incurred throught the year.

1.16 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.

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

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.

1.16 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Revenue from exchange transactions

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

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

Rendering of services

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

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

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

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

1.17 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when levieable in terms of law.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

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.

Assessment 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 value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise 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.

1.19 Investment income

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

1.20 Borrowing costs

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

1.21 Comparative figures

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

Budget information, in accordance with GRAP 24, has been provided in Annexure E(1) to these financial statements.

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 50.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 50.

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

1.23 Fruitless and wasteful expenditure (continued)

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

1.24 Irregular expenditure

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

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

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

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

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

1.25 Investments

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

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.27 Conditional grants and receipts

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

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations
Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.28 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.29 Related parties

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

1.29 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, that management in their dealings with the municipality.

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

1.30 Contractual Commitments

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

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts which are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.Expenditure on research is recognised as an expense when it is incurred.

1.31 Subsequent Events

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.32 GRAP 24 Presentation of Budget information

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

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

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

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

The 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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists.
All material differences are explained in the notes to the annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective

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

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.

- Consider whether an indicator-based assessment of useful lives of assets could be introduced.

- Clarify the wording related to the use of external valuers.

- Introduce more specific presentation and disclosure requirements for capital work-in-progress.

- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.

- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

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

- The entity has adopted the standard for the first time in the 2017 financial statements.

- The impact of the standard is not material as the municpal entity has no investment properties.

GRAP 17 (as amended 2015) Property, Plant and equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.

- Consider whether an indicator-based assessment of useful lives of assets could be introduced.

- Clarify the wording related to the use of external valuers.

- Introduce more specific presentation and disclosure requirements for capital work-in-progress.

- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.

- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets

- Use of external valuers

- Encouraged disclosures

- Capital work-in-progress

Notes to the Financial Statements

2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective (continued)

- Expenditure incurred on repairs and maintenance

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

The entity has adopted the standard for the first time in the 2017 financial statements.

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

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

The municipality expects to adopt the standard for the first time in the 2000 financial statements.

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Notes to the Financial Statements

2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective (continued)

The municipality expects to adopt the standard for the first time in the 2000 financial statements.

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

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Notes to the Financial Statements

2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective (continued)

The effective date of the is for years beginning on or after .

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The effective date of the is for years beginning on or after .

The municipality expects to adopt the for the first time in the 2000 financial statements.

Figures in Rand	2017	2016

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	21 480	15 480
Bank balances	5 120 526	5 481 718
Short-term deposits	1 170 001	6 348 590
	6 312 007	**11 845 788**

The fair value of the cash and cash equivalents approximate their carrying value.

Cash and cash equivalents pledged as collateral

	2017	2016
Guarantee issued to the department of mineral resources This cession is linked to ABSA notice deposit account number: 630 1219190	50 000	50 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Cheque Account - 405-327-4876	4 703 809	5 063 141	17 707 778	5 104 114	5 464 749	15 384 837
ABSA BANK - Fixed Deposit - 204-843-5948	-	-	54 064	-	-	54 064
ABSA BANK - Fixed Deposit - 205-824-7882	74 534	69 809	65 690	74 534	69 809	65 690
ABSA BANK - Notice Deposit - 630-0121-9190	-	-	40 015	-	-	40 015
ABSA BANK - Savings Account - 913-190-1443	1 087 857	6 271 062	14 870 953	1 087 857	6 271 062	14 870 953
XXABSA BANK - Savings Account -914-414-9383	-	-	6 680	-	-	6 680
ABSA BANK - Savings Account - 918-265-3631	-	-	2 574	-	-	2 574
ABSA BANK - Savings Account - 923-247-6515	-	-	94 863	-	-	94 863
ABSA BANK - Notice Deposit - 207-531-4898	3 880	3 671	-	3 880	3 671	-
Cash on hand	-	-	-	21 480	15 480	13 920
Accrued interest	-	-	-	20 142	21 017	26 710
Total	**5 870 080**	**11 407 683**	**32 842 617**	**6 312 007**	**11 845 788**	**30 560 306**

4. Receivables from exchange transactions

Gross balances	2017	2016
Electricity	42 650 909	42 171 108
Water	214 301 598	178 319 216
Interest on debtors	78 509 547	59 278 013
Sewerage	54 485 268	42 327 677
Refuse	37 990 332	30 099 449
Other Service (Rental, Fire and advertising services.)	26 973 824	20 088 318
Deposit	2 195 129	2 467 754
	457 106 607	**374 751 535**

Figures in Rand	2017	2016

4. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(11 149 392)	(10 955 264)
Water	(175 184 066)	(161 884 235)
Interest on debtors	(55 504 002)	(39 632 079)
Sewerage	(38 967 321)	(34 136 601)
Refuse	(26 826 423)	(23 124 765)
Other services*	(25 184 476)	(15 540 547)
Deposits	(1 606 142)	(1 726 809)
	(334 421 822)	**(287 000 300)**

Net balance		
Electricity	31 501 517	31 215 844
Water	39 117 532	16 434 981
Interest on debtors	23 005 545	19 645 934
Sewerage	15 517 947	8 191 076
Refuse	11 163 909	6 974 684
Other services	1 789 348	4 547 771
Deposit	588 987	740 945
	122 684 785	**87 751 235**

Electricity		
Current (0 -30 days)	10 485 186	10 399 009
31 - 60 days	1 131 580	1 219 275
61 - 90 days	890 066	661 759
> 90 days	18 994 685	18 935 801
	31 501 517	**31 215 844**

Water		
Current (0 -30 days)	1 178 374	560 446
31 - 60 days	710 416	446 495
61 - 90 days	784 756	373 043
> 90 days	36 443 986	15 054 997
	39 117 532	**16 434 981**

Interest on debtors		
Current (0 -30 days)	568 295	507 433
31 - 60 days	610 011	511 981
61 - 90 days	544 116	986 788
> 90 days	21 283 123	17 639 732
	23 005 545	**19 645 934**

Sewerage		
Current (0 -30 days)	674 025	344 862
31 - 60 days	424 746	189 891
61 - 90 days	391 740	162 777
> 90 days	14 027 436	7 493 546
	15 517 947	**8 191 076**

Figures in Rand	2017	2016

4. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	470 428	321 119
31 - 60 days	295 842	181 615
61 - 90 days	272 468	159 331
> 90 days	10 125 171	6 312 619
	11 163 909	**6 974 684**

Other services		
Current (0 -30 days)	151 415	211 693
31 - 60 days	27 601	145 782
61 - 90 days	21 061	92 372
> 90 days	1 589 271	4 097 924
	1 789 348	**4 547 771**

Deposit		
Current (0 -30 days)	49 840	32 599
31 - 60 days	9 085	22 449
61 - 90 days	6 933	14 224
> 90 days	523 129	671 673
	588 987	**740 945**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	15 820 616	9 586 402
31 - 60 days	8 417 505	7 778 760
61 - 90 days	8 198 365	7 913 807
> 90 days	383 878 704	321 187 495
	416 315 190	346 466 464
Less: Allowance for impairment	(326 662 432)	(282 152 148)
	89 652 758	**64 314 316**

Industrial/ commercial		
Current (0 -30 days)	9 369 269	8 469 491
31 - 60 days	807 055	744 522
61 - 90 days	497 634	378 451
> 90 days	12 751 581	9 067 384
	23 425 539	18 659 848
Less: Allowance for impairment	(7 436 723)	(4 848 151)
	15 988 816	**13 811 697**

National and provincial government		
Current (0 -30 days)	3 522 978	3 693 701
31 - 60 days	1 520 612	791 575
61 - 90 days	1 358 547	551 777
> 90 days	10 963 741	4 588 170
Less: Allowance for impairment	-	-
	17 365 878	**9 625 223**

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Receivables from exchange transactions (continued)

Total		
Current (0 -30 days)	29 026 932	24 583 164
31 - 60 days	10 453 770	9 583 951
61 - 90 days	10 007 141	9 072 132
> 90 days	407 618 764	331 512 288
	457 106 607	374 751 535
Less: Allowance for impairment	(334 421 822)	(287 000 300)
	122 684 785	**87 751 235**

Long term debtors		
> 365 days	6 933 697	7 028 943

Reconciliation of allowance for impairment		
Balance at beginning of the year	(287 000 300)	(226 134 991)
Contributions to allowance	(47 542 190)	(61 911 907)
Reversal of allowance of impairment	120 668	988 231
Write offs against the provision	-	58 367
	(334 421 822)	**(287 000 300)**

Long term debtors

Long term debtors included in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivables from exchange transaction have been pledged as collateral for liabilities of the municipality.

5. Inventories

Consumable stores	13 518 689	11 820 379
Water	317 290	289 206
	13 835 979	**12 109 585**

None of the inventories held by the municipality were measured at fair value less cost to sell.

Consumable Inventory held by the municipality increased by R1,698,310 in the current year (2016: R911,671).

Water Inventory held by the municipality increased by R28,084 in the current year (2016: R51,402).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R9,123,861.

During the year Council approved the inventory adjustments of R219,126 that went through the Statement of Financial Performance.

No Inventories have been pledged as collateral for liabilities of the municipality.

6. Receivables from non-exchange transactions

Fines	1 859 589	3 254 426
Assessment rates	15 421 768	13 209 359
Sundry receivables	3 527 611	2 413 369
	20 808 968	**18 877 154**

Notes to the Financial Statements

Figures in Rand	2017	2016

6. Receivables from non-exchange transactions (continued)

Non-current assets	-	-
Current assets	20 808 968	18 877 154
	20 808 968	**18 877 154**

Assessment rates		
Gross balance	31 297 398	28 752 735
Less: Allowance for impairment	(15 875 630)	(15 543 376)
	15 421 768	13 209 359

Total		
Current (0-30 days)	2 791 029	2 555 883
31 - 60 days	996 890	980 854
61 - 90 days	640 410	697 284
> 90 days	26 869 069	24 518 714
Less: Impairment	(15 875 630)	(15 543 376)
	15 421 768	13 209 359

Residential		
Current (0-30 days)	2 541 962	1 606 048
31 - 60 days	907 929	794 263
61 - 90 days	583 260	596 020
> 90 days	24 471 319	22 488 848
Less: Impairment	(14 888 067)	(13 573 490)
	13 616 403	11 911 689

Industrial / commercial		
Current (0-30 days)	143 033	945 614
31 - 60 days	51 088	182 371
61 - 90 days	32 819	97 044
> 90 days	1 376 974	2 027 947
Less Impairment	(987 563)	(1 969 886)
	616 351	1 283 090

National and provincial government		
Current (0-30 days)	106 033	4 221
31 - 60 days	37 872	4 220
61 - 90 days	24 330	4 220
> 90 days	1 020 779	1 919
Less Impairment	-	-
	1 189 014	14 580

Reconciliation of allowance for impairment - Assessment Rates		
Balance at beginning of the year	(15 543 377)	(12 999 828)
Contributions to allowance	(332 253)	(3 881 860)
Write offs against the provision	-	1 338 311
	(15 875 630)	(15 543 377)

Fines		
Gross balance	8 712 942	6 911 294
Less: Allowance for impairment	(6 853 353)	(3 656 868)
	1 859 589	3 254 426

Figures in Rand	2017	2016

6. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment - Fines

Balance at beginning of the year	(3 656 868)	(2 092 201)
Contributions to allowance	(3 196 485)	(1 564 667)
	(6 853 353)	(3 656 868)

7. Investments

Designated at fair value

Senwesbel The fair value is based on quoted price from active markets for identical assets and is therefore a level 1	105 154	108 780
Senwes The fair value is based on quoted price from active markets for identical assets and is therefore a level 1	122 949	124 131
	228 103	**232 911**

Non-current assets

Designated at fair value	228 103	232 911

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

8. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets	2 163 451	-	2 163 451	2 163 451	-	2 163 451

Reconciliation of heritage assets 2017

	Opening balance	**Total**
Historical buildings	2 163 451	2 163 451

Reconciliation of heritage assets 2016

	Opening balance	**Total**
Historical buildings	2 163 451	2 163 451

Notes to the Financial Statements

Figures in Rand	2017	2016

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	161 072 396	-	161 072 396	158 937 697	-	158 937 697

Reconciliation of investment property - 2017

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	158 937 697	(50 704)	2 185 403	161 072 396

Reconciliation of investment property - 2016

	Opening balance	Disposals	Transfers from Land	Fair value adjustments	Total
Investment property	154 157 179	(1 200 000)	782 899	5 197 619	158 937 697

Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation for the acquisition of Investment Property.

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 fair value of the investment property was provided by Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of section 22 of (Act 47) of 2000 Propery Valuers Profession Bill.

Amounts recognised in surplus and deficit for the year.

	2017	2016
Rental revenue from investment property	6 997 191	2 164 585

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	56 834 539	-	56 834 539	60 158 696	-	60 158 696
Buildings	60 632 346	(20 671 929)	39 960 417	60 224 760	(19 346 058)	40 878 702
Plant and machinery	7 148 420	(4 122 625)	3 025 795	6 897 940	(3 277 493)	3 620 447
Furniture and fixtures	5 230 950	(2 975 948)	2 255 002	4 963 448	(2 631 771)	2 331 677
Motor vehicles	58 043 990	(33 519 254)	24 524 736	56 735 152	(29 273 015)	27 462 137
Office equipment	4 175 505	(2 713 793)	1 461 712	11 160 249	(6 778 930)	4 381 319
IT equipment	10 655 407	(5 502 660)	5 152 747	8 832 763	(4 347 587)	4 485 176
Infrastructure	3 962 430 195	(2 059 942 868)	1 902 487 327	3 873 671 914	(1 966 639 823)	1 907 032 091
Community	177 090 356	(87 112 940)	89 977 416	169 156 660	(81 935 772)	87 220 888
Capital work in progress	46 744 002	-	46 744 002	96 809 254	-	96 809 254
Finance leased assets	1 942 771	(1 244 319)	698 452	2 146 732	(802 661)	1 344 071
Total	**4 390 928 481**	**(2 217 806 336)**	**2 173 122 145**	**4 350 757 568**	**(2 115 033 110)**	**2 235 724 458**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers to Infrastructure & Other	Depreciation	Total
Land	60 158 696	-	(3 324 157)	-	-	56 834 539
Buildings	40 878 702	-	-	407 586	(1 325 871)	39 960 417
Plant and machinery	3 620 447	254 481	(1 564)	-	(847 569)	3 025 795
Furniture and fixtures	2 331 677	267 501	-	-	(344 176)	2 255 002
Motor vehicles	27 462 137	1 600 661	(132 059)	-	(4 406 003)	24 524 736
Office equipment	4 381 319	36 234	(2 623 929)	-	(331 912)	1 461 712
IT equipment	4 485 176	1 822 644	-	-	(1 155 073)	5 152 747
Infrastructure	1 907 032 091	849 826	(1 503 386)	91 628 967	(95 520 171)	1 902 487 327
Community	87 220 888	-	(139 160)	8 596 492	(5 700 804)	89 977 416
Capital work in progress	96 809 254	50 567 793	-	(100 633 045)	-	46 744 002
Finance leased assets	1 344 071	84 000	(62 278)	-	(667 341)	698 452
	2 235 724 458	**55 483 140**	**(7 786 533)**	**-**	**(110 298 920)**	**2 173 122 145**

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	New found Assets	Transfers to Infrastructure & Other	Transfer to Investment property	Depreciation	Impairment loss	Total
Land	60 263 468	-	-	678 127	-	(782 899)	-	-	60 158 696
Buildings	35 504 483	-	-	475 313	9 232 196	-	(4 333 290)	-	40 878 702
Plant and machinery	2 986 386	1 545 315	(89 524)	-	-	-	(821 730)	-	3 620 447
Furniture and fixtures	2 385 117	358 154	(67 710)	-	-	-	(343 884)	-	2 331 677
Motor vehicles	23 503 314	8 048 523	(2 523)	-	-	-	(4 087 177)	-	27 462 137
Office equipment	5 564 168	63 448	(179 256)	-	-	-	(1 067 041)	-	4 381 319
IT equipment	4 940 076	685 844	(66 296)	-	-	-	(1 074 448)	-	4 485 176
Infrastructure	1 950 850 953	864 697	(481 034)	-	47 794 763	-	(90 665 104)	(1 332 184)	1 907 032 091
Community	82 971 346	-	-	-	9 673 263	-	(5 423 721)	-	87 220 888
Capital work in progress	70 568 181	92 941 295	-	-	(66 700 222)	-	-	-	96 809 254
Finance leased assets	185 915	1 892 050	(586)	-	-	-	(733 308)	-	1 344 071
	2 239 723 407	**106 399 326**	**(886 929)**	**1 153 440**	**-**	**(782 899)**	**(108 549 703)**	**(1 332 184)**	**2 235 724 458**

Pledged as security

There are currently no restrictions on property, plant and equipment as they have not being pledged as securities for liabilities.

Capital expenditure

The municipality currently has the following capital commitments with regards to capital expenditure on infrastructure assets		
Approved and contracted for	30 651 558	23 513 026
The following amounts relates to leased assets held by the entity included in property, plant and equipment		
Office Equipment	678 642	1 325 563

Notes to the Financial Statements

Figures in Rand	2017	2016

10. Property, plant and equipment (continued)

Other information

Movable register contains assets with a carrying value of R0. These assets are split into two, which are:

- Assets written off in previous years and are still within the municipality and are awaiting auction, which is scheduled to be held in 2017/18 financial year.

- Assets whose useful life ended during the year and whose remaining useful life was not recalculated due to intention of presenting the assets to council to be disposed in the 2017/18 financial year.

Under Capital work in progress, there is a project GRAVEL ROAD SNAKEPARK, which has for a number of years not been active due to lack of funds in completing the project. Up to date, the total amount spent on the project amounts to R6,096,825.09 as at 30 June 2017.

Transitional provisions

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.

Capital work in progress refers to infrastructure projects and community asset projects which are still in the process of being completed.

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5 229 441	(1 660 427)	3 569 014	5 229 441	(1 346 311)	3 883 130

Reconciliation of intangible assets - 2017

	Opening balance	**Amortisation**	**Total**
Computer software	3 883 130	(314 116)	3 569 014

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software	1 809 033	2 513 504	(141 992)	(297 415)	3 883 130

Other information

There were no intangible assets that were assessed as having an indefinite useful live.

There are no intangible assets who's title is restricted or pledge as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

12. Consumer deposits

	2017	2016
Kroonstad	12 783 933	12 720 144

Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.

Figures in Rand	2017	2016

13. Finance lease obligation

Minimum lease payments due		
- within one year	693 338	711 548
- in second to fifth year inclusive	10 620	703 958
	703 958	1 415 506
less: future finance charges	(25 316)	(90 301)
Present value of minimum lease payments	**678 642**	**1 325 205**

Present value of minimum lease payments due		
- within one year	668 946	646 563
- in second to fifth year inclusive	9 696	678 642
	678 642	**1 325 205**

Non-current liabilities	9 696	678 642
Current liabilities	668 946	646 563
	678 642	**1 325 205**

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

Finance lease obligation - Equipment minimum lease payments due		
- within one year	693 338	711 548
- in second to fifth year inclusive	10 620	703 958
Subtotal	703 958	1 415 506
Less: Future finace charges	(25 316)	(90 301)
Present value of minimum lease payments	**678 642**	**1 325 205**

Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.

14. Other financial liabilities

At amortised cost		
Annuity loans - Development Bank of South Africa	22 365 835	23 627 901

The loan is unsecured and payable quarterly at fixed rate of 9%.
The redemption date of the loan is 31 July 2027.

Non-current liabilities		
At amortised cost	21 062 583	22 408 954

Current liabilities		
At amortised cost	1 303 252	1 218 947

Figures in Rand	2017	2016

15. Payables from exchange transactions

	2017	2016
Trade payables	255 885 118	132 982 464
Payments received in advance	8 185 708	7 616 481
Annual bonus accrual	6 478 596	5 620 710
Leave pay accrual	18 490 304	17 766 245
Deposits received	11 604	7 549
Retention creditors	4 902 503	3 920 594
	293 953 833	**167 914 043**

Trade payables 2017	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Bulk electricity	31 584 933	24 272 404	26 215 078	128 603 865	210 676 280
Loan repayments	828 030	-	-	-	828 030
Auditor General	28 877	21 783	23 287	1 965 576	2 039 523
Third Parties	9 297 048	-	-	-	9 297 048
Other	9 289 769	1 325 970	1 180 483	21 248 014	33 044 236
	51 028 657	25 620 157	27 418 848	151 817 455	255 885 117

Trade payables 2016	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Bulk electricity	30 243 088	17 312 235	15 811 710	-	63 367 033
Loan repayments	828 030	-	-	-	828 030
Auditor General	230 061	375 844	-	-	605 905
Third Parties	8 466 134	-	-	-	8 466 134
Other	10 457 869	14 389 883	3 434 646	31 432 964	59 715 362
	50 225 182	32 077 962	19 246 356	31 432 964	132 982 464

Suppliers have not been paid within the prescribed 30 day period due to cashflow constraints.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LGSETA Grant	110 328	339 282

Movement during the year

Balance at the beginning of the year	339 282	693 419
Additions during the year	209 621 652	264 725 506
Income recognition during the year	(209 850 606)	(265 079 643)
	110 328	**339 282**

Non-current liabilities	-	-
Current liabilities	110 328	339 282
	110 328	**339 282**

The nature and extent of government grants recognised in the financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance is recognised as a liability until such time that the conditions are met. Once the conditions are met it is recognised as revenue.

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

Notes to the Financial Statements

Figures in Rand	2017	2016

17. VAT payable

VAT	16 050 324	25 047 965

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality’s current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme

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

	2017	2016
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(40 796 000)	(42 561 000)
Current service costs	(163 000)	(467 000)
Current interest costs	(3 610 000)	(3 514 000)
Actuarial gains / (loss)	5 555 000	2 640 000
Benefit payments	3 977 000	3 106 000
	(35 037 000)	**(40 796 000)**

	2017	2016
The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service members (employees)	7	7
Continuation members (e.g: Widows, orphans, pensioners)	50	70
	57	**77**

Net expense recognised in the statement of financial performance

	2017	2016
Current service cost	(163 000)	(467 000)
Interest cost	(3 610 000)	(3 514 000)
Expected return on plan assets	-	-
Actuarial (gains) losses	5 555 000	2 640 000
Change in asset ceiling	-	-
Cash movement	-	-
Benefit payments	3 977 000	3 106 000
Employer contributions	-	-
	5 759 000	**1 765 000**

Notes to the Financial Statements

Figures in Rand	2017	2016

18. Receivables from non-exchange transactions (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate used	9,30 %	9,18 %
Health care cost inflation	7,65 %	8,31 %
Net discount rate	1,53 %	0,80 %

The basis used to determine the overall expected rate of return on assets is as follow:

In line with GRAP 25 and current market practice, government bond yields are used as the South African corporate bond market is not considered to be sufficiently developed. Furthermore, it is One Pangaea Financial's view that South Africa does not have a deep and liquid market in corporate bonds, and therefore government bonds are used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 9.30 years, the expected duration of the liability based on the current membership data, as at 30 June 2017.

The expected benefit payments over the next annual reporting period is reflected in the table below.

Balance at 30 June 2017	(35 037 000)
Projected expenditure excluding actuarial (gains) / losses	(161 000)
Current service cost	(3 135 000)
Expected benefit payments	4 128 000
Expected as at 30 June 2018	**(34 205 000)**

18. Receivables from non-exchange transactions (continued)

Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

Defined contribution plans

The following are defined contribution plans:
- Free State Municipal Provident Fund
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

Defined benefit plans

The following are defined benefit plans:
- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in GRAP 25, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009:R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

Figures in Rand	2017	2016

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Provision for the rehabilitation cost of landfill sites	12 220 301	516 545	-	245 138	12 981 984
Provision for the rehabilitation cost of quarries	4 169 607	125 197	-	82 660	4 377 464
Funeral assistance	109 000	(11 060)	(940)	-	97 000
Long service bonus	13 396 003	622 000	-	-	14 018 003
	29 894 911	**1 252 682**	**(940)**	**327 798**	**31 474 451**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for the rehabilitation cost of landfill sites	11 441 203	568 256	-	-	210 842	12 220 301
Provision for the rehabilitation cost of quarries	3 869 205	228 462	-	-	71 940	4 169 607
Funeral assistance	125 001	-	(8 001)	(8 000)	-	109 000
Long service bonus	12 426 000	970 003	-	-	-	13 396 003
	27 861 409	**1 766 721**	**(8 001)**	**(8 000)**	**282 782**	**29 894 911**

Rehabilitation of landfill sites and quarries
In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

Funeral Death Benefit
The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to municipal employees, and payout's are only made to employees who die in the service of the Municipality.

Long service award (LSA)

The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of GRAP 25.

Summary of liability for landfill site costs		
Kroonstad Landfill Site	6 975 102	6 478 976
Steynsrus Landfill Site	1 964 578	1 953 522
Viljoenskroon Landfill Site	4 042 304	3 787 803
Kroonstad gravel quarry	3 438 815	3 241 080
Steynsrus gravel quarry	938 649	928 527
Interest cost	327 798	282 782
	17 687 246	**16 672 690**

Amounts recognised in the statement of Financial Performance are as follows:		
Current service cost	(802 000)	(735 000)
Interest cost	(1 186 000)	(948 000)
Actuarial gain / (losses)	417 000	(1 333 000)
Benefit payments	949 000	2 046 000
	(622 000)	**(970 000)**

Notes to the Financial Statements

Figures in Rand	2017	2016

19. Provisions (continued)

Amounts recognised in the statement of Financial Position are as follows:

Defined benefit obligation	(13 396 000)	(12 426 000)
Plan assets	-	-
Movement in provision	(622 000)	(970 000)
Net obligation recognised in the Statement of Financial Position	**(14 018 000)**	**(13 396 000)**

Key assumptions used:

Assumptions used at the reporting date:

Discount rates used	8.61%	9.18%
Salary inflation	6.41%	7.81%
Net discount rate	2.07%	1.27%

The basis on which the discount rate has been determined is as follow:

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yields on government conventional and index-linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

Notes to the Financial Statements

Figures in Rand	2017	2016

20. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	122 684 785	-	122 684 785
Other receivables from non-exchange transactions	-	20 808 968	-	20 808 968
Long term debtors	-	6 933 697	-	6 933 697
Cash and cash equivalents	-	-	6 312 007	6 312 007
Short term deposit	-	-	-	-
Investments	228 103	-	-	228 103
	228 103	**150 427 450**	**6 312 007**	**156 967 560**

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	12 783 934	-	12 783 934
Finance lease obligation	678 642	-	678 642
Provisions	31 474 451	-	31 474 451
Payables from exchange transactions	293 953 832	-	293 953 832
Unspent conditional grants and receipts	-	110 328	110 328
VAT Payable	-	16 050 324	16 050 324
Other financial liabilities	22 365 835	-	22 365 835
	361 256 694	**16 160 652**	**377 417 346**

2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	87 751 235	-	87 751 235
Other receivables from non-exchange transactions	-	18 877 154	-	18 877 154
Long term debtors	-	7 028 943	-	7 028 943
Cash and cash equivalents	-	-	11 845 788	11 845 788
Investments	232 911	-	-	232 911
	232 911	**113 657 332**	**11 845 788**	**125 736 031**

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	12 720 144	-	12 720 144
Finance lease obligation	1 325 205	-	1 325 205
Provisions	29 894 911	-	29 894 911
Payables from exchange transactions	167 914 045	-	167 914 045
Unspent conditional grants and receipts	-	339 282	339 282
VAT Payable	-	25 047 965	25 047 965
Other financial liabilities	23 627 900	-	23 627 900
	235 482 205	**25 387 247**	**260 869 452**

Notes to the Financial Statements

Figures in Rand	2017	2016

21. Revenue

Service charges	380 575 963	356 697 207
Donated assets	150 769	271 360
Rental of facilities and equipment	7 584 352	5 998 753
Fees earned	743 280	1 179 594
Discount received	3 949	90 025
Other income	11 448 088	9 988 552
Interest received	20 772 166	17 724 177
Dividends received	5 349	11 831
Property rates	52 375 071	48 467 154
Government grants and subsidies	209 850 606	265 079 643
Fines	2 624 854	2 634 920
	686 134 447	**708 143 216**

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

Service charges	380 575 963	356 697 207
Royalty income	150 769	271 360
Rental of facilities and equipment	7 584 352	5 998 753
Fees earned	743 280	1 179 594
Discount received	3 949	90 025
Other income	11 448 088	9 988 552
Interest received	20 772 166	17 724 177
Dividends received	5 349	11 831
	421 283 916	**391 961 499**

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

Taxation revenue		
Property rates	52 375 071	48 467 154
Transfer revenue		
Government grants & subsidies	209 850 606	265 079 643
Fines	2 624 854	2 634 920
	264 850 531	**316 181 717**

22. Government grants and subsidies

Equitable share	158 519 000	161 083 000
Municipal System Improvement grant (MSIG)	-	930 000
LG SETA grant	343 295	428 780
Municipal Infrastructure grant (MIG)	38 349 000	38 899 000
Regional Bulk Infrastructure Grant (RBIG)	2 829 311	60 701 573
Financial Management grant (FMG)	1 810 000	1 675 000
Intergrated National Electrification grant (INEP)	7 000 000	211 290
Expanded Public Works Program grant (EPWP)	1 000 000	1 151 000
	209 850 606	**265 079 643**

Notes to the Financial Statements

Figures in Rand	2017	2016

22. Government grants and subsidies (continued)

Equitable share

Balance unspent at beginning of year	-	-
Current-year receipts	158 519 000	161 083 000
Conditions met - transferred to revenue	(158 519 000)	(161 083 000)
Unspent grant	-	-

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	38 349 000	38 899 000
Conditions met - transferred to revenue	(38 349 000)	(38 899 000)
Unspent grant	-	-

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

LG SETA grant

Balance unspent at beginning of year	339 282	482 129
Current-year receipts	114 341	285 933
Conditions met - transferred to revenue	(343 295)	(428 780)
Unspent grant	**110 328**	**339 282**

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

The grant is used for training municipality staff to enhance their skills in their respective positions.

Extended Public Works Program grant

Current-year receipts	1 000 000	1 151 000
Conditions met - transferred to revenue	(1 000 000)	(1 151 000)
Unspent grant	-	-

This grant is used in respect of job creation projects and programmes.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	2 829 311	60 701 573
Conditions met - transferred to revenue	(2 829 311)	(60 701 573)
Unspent grant	-	-

Finance Management grant

Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
Unspent grant	-	-

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

22. Government grants and subsidies (continued)

Municipal Systems Improvement Grant (MSIG)

	2017	2016
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Unspent grant	**-**	**-**

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of approved restructuring plans that addresses challenges in a sustainable manner.

Intergrated national Electrification Program

	2017	2016
Balance unspent at beginning of year	-	211 290
Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(7 000 000)	(211 290)
	-	-

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

23. Property rates

Rates received

	2017	2016
Residential	51 725 030	47 643 576
State	12 822 398	12 165 134
Less: Income forgone	(12 172 357)	(11 341 556)
	52 375 071	**48 467 154**

Valuations

	2017	2016
Commercial	4 904 859 531	4 913 987 534
Multi-purpose	71 360 001	30 890 001
Municipal	277 351 421	284 071 603
Non-ratable	189 809 808	178 260 506
Residential	3 888 556 469	3 893 046 472
State	985 875 044	1 008 644 347
	10 317 812 274	**10 308 900 463**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.007 (2016: R0.007) is applied to property valuations to determine assessment rates.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2016: prime +1%) is levied on rates outstanding two months after due date.(Excluding national government property rates which is levied on an annual basis).

Income foregone
Income foregone relates to the first R 50 000.00 of all residential properties that are exempted from paying property rates including, discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

Notes to the Financial Statements

Figures in Rand	2017	2016

24. Service charges

Sale of electricity	255 592 385	246 687 826
Sale of water	75 272 680	73 146 623
Sewerage and sanitation charges	29 861 148	21 264 480
Refuse removal	20 384 592	16 628 288
Less: Income forgone	(534 842)	(1 030 010)
	380 575 963	**356 697 207**

Income foregone
Income foregone relates to discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

25. Donated assets

National Treasury	-	119 158
Engen	-	150 000
Cash Crusaders	-	702
Goldfields Development	-	1 500
Department of Environmental Affairs	15 399	-
Randwater	131 870	-
Elvato Projects	3 500	-
	150 769	**271 360**

2016/2017
IT equipment to the value of R15,399 was donated the Department of Environmental Affairs.
An instrument to the value of R131,870.00 was dontated by Randwater.
A tea trolley to the value of R3,500.00 was donated by Elvato Projects.

2015/2016
IT equipment to the value of R119,158.00 was donated by National Treasury.
A Tanker with a value of R150,000.00 was donated by Engen.
A hammer drill with a value of R702.00 was donated by Cash Crusaders.
A desk with a value of R1,500.00 was donated by Goldfields Development.

26. Rental income

Facilities and equipment		
Rental of facilities	7 584 352	5 998 753

27. Fees earned

Administrative and management fees	743 280	1 179 594

28. Interest and dividends received

Dividend revenue		
Unlisted shares	5 349	11 831
Interest revenue		
Bank	1 250 890	2 271 188
South African Revenue Service (SARS)	111 305	-
Receivables from exchange transactions	19 409 971	15 452 989
	20 772 166	**17 724 177**
	20 777 515	**17 736 008**

All amounts above included in Investment revenue arises from exchange transactions.

Notes to the Financial Statements

Figures in Rand	2017	2016

29. Other income

Advertising signs	2 623 576	75 906
Building plans and inspection fees	96 143	88 161
Burial income	947 963	868 503
Clearance certificates	170 085	206 617
Commission premiums	271 809	251 124
Connection fees	2 487 197	2 928 905
Erven sales	858 373	1 783 101
Escort fees	6 193	4 258
Fire brigade fees	171 765	409 347
Hostel fees	41 255	41 255
Insurance claims	775 251	294 789
Administration income	424 377	321 200
Funeral assistance	11 060	8 000
Parking	-	163 664
Railway siding industrial	604 560	581 294
Rescue and assistance fees	517 668	570 129
Special services	4 352	2 241
Sundry income	621 554	802 295
Telephone costs recovered	32 283	189 398
Unclaimed deposits	754 541	346 964
Water valuation adjustments	28 083	51 401
	11 448 088	**9 988 552**

30. Discount received

Discount received consists of:		
Suppliers	3 949	90 025

31. Fines

Fines consists of:		
Traffic fines	2 340 860	2 465 780
Library and lost books	-	1 892
Tampered meters	283 994	167 248
	2 624 854	**2 634 920**

Figures in Rand	2017	2016

32. Employee related costs

Basic	132 828 053	123 314 581
Bonus	10 905 152	9 800 506
Medical aid - company contributions	16 943 756	14 303 039
UIF	1 430 154	1 253 894
SDL	1 929 816	1 704 852
Industrial council levy	84 449	79 416
Leave pay provision charge	6 320 583	7 146 698
Group Life Insurance General	1 619 439	1 670 203
Defined contribution plans	23 157 640	21 050 800
Overtime payments	18 854 334	16 382 513
Car allowance	10 733 470	9 242 773
Housing benefits and allowances	1 197 771	1 022 846
Other allowances	1 410 109	857 908
Telephone allowance	415 510	405 140
Standby allowance	1 631 478	1 525 242
	229 461 714	**209 760 411**

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

Remuneration of Municipal Manager

Annual Remuneration	1 022 006	960 393
Leave days payout	704 029	-
Contributions to UIF, Medical and Pension Funds	41 471	47 730
Allowances	893 115	679 692
Travel and subsistence	80 087	32 736
Skills development levy	25 235	15 633
	2 765 943	**1 736 184**

Remuneration of Chief Financial Officer

Annual Remuneration	781 464	754 188
Leave days payout	564 372	-
Contributions to UIF, Medical and Pension Funds	158 511	153 791
Allowances	382 865	388 420
Travel and subsistence	79 328	53 864
Skills development levy	16 371	10 515
	1 982 911	**1 360 778**

Figures in Rand	2017	2016

32. Employee related costs (continued)

Executive Director: Technical Services

Annual Remuneration	164 439	-
Leave days payout	16 861	-
Contributions to UIF, Medical and Pension Funds	33 050	-
Allowances	112 232	-
Travel and subsistence	16 251	-
Skills development levy	2 797	-
	345 630	**-**

The remuneration of the director is for 3 months of the financial year. The director was appointed on 31 March 2017.

2017
Me LD Nqwenya received an acting allowance for a period of 1 July 2016 to 31 March 2017 to the amount of R232,774.

2016
Mr MH Geringer received an acting allowance for a period of 1 Aug 2015 to 31 Dec 2015 to the amount of R172 121.
Mrs CP Botha received an acting allowance for a period of 01 March 2016 to 30 June 2016 to the amount of R201 837 .

Amount Paid		
Acting allowance	188 376	373 958

Executive Director: Corporate Services

Annual Remuneration	781 464	745 828
Allowances	380 779	385 856
Leave days payout	614 008	-
Contributions to UIF, Medical and Pension Funds	163 067	156 315
Travel and subsistence	40 166	37 749
Skills development levy	16 901	10 436
	1 996 385	**1 336 184**

Executive Director: Community Services

Annual Remuneration	781 464	754 188
Allowances	495 371	513 078
Contributions to UIF, Medical and Pension Funds	37 605	33 839
Travel and subsistence	10 810	37 118
Skills development levy	17 373	12 808
Leave days payout	463 454	18 861
	1 806 077	**1 369 892**

33. Remuneration of councillors

Executive Mayor	487 586	484 901
Members of Mayoral Committee	3 622 534	4 273 965
Speaker	362 645	384 909
Councillors	10 106 343	10 301 765
Councillors' pension contribution	2 198 068	2 379 181
	16 777 176	**17 824 721**

In-kind benefits

The Executive Mayor, Speaker and Member of Mayoral Committee are employed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.

Notes to the Financial Statements

Figures in Rand	2017	2016

33. Remuneration of councillors (continued)

The Executive Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard and a driver.

The Speaker has the use of a Council owned vehicle for official duties.

Executive Mayor - Cllr M Koloi (Appointed 16 August 2016)		
Basic Salary	490 691	498 288
Car Allowance	193 858	196 770
Social Contributions	155 176	123 789
Cellphone Allowance	28 207	20 868
	867 932	**839 715**

Speaker - Cllr MS Chakane (Appointed 16 August 2016)		
Basic Salary	363 161	395 613
Car Allowance	144 492	157 412
Social Contributions	104 018	205 175
Cellphone Allowance	26 369	20 868
	638 040	**779 068**

Members of Mayoral Committee (MMC)

MMC - COMMUNITY SERVICES: Cllr VL Mpondo		
Basic Salary	339 120	369 950
Car Allowance	135 276	147 574
Social Contributions	75 286	99 658
Cellphone Allowance	24 153	24 468
	573 835	**641 650**

MMC - TECHNICAL SERVICES: Cllr SB Tladi		
Basic Salary	347 591	369 950
Car Allowance	138 847	147 574
Social Contributions	118 865	105 752
Cellphone Allowance	24 953	24 468
	630 256	**647 744**

MMC - IDP AND PLANNING: Cllr ZS Magadlela		
Basic Salary	347 591	369 950
Car Allowance	138 847	147 574
Social Contributions	83 112	119 658
Cellphone Allowance	24 953	24 468
	594 503	**661 650**

MMC - PUBLIC SAFETY: Cllr MM Green		
Basic Salary	339 306	369 950
Car Allowance	135 531	147 574
Social Contributions	83 496	151 202
Cellphone Allowance	23 717	24 468
	582 050	**693 194**

Notes to the Financial Statements

Figures in Rand	2017	2016

33. Remuneration of councillors (continued)

MMC - PERSONNEL AND ADMINISTRATION: Cllr S Mokoena

	2017	2016
Basic Salary	347 591	369 950
Car Allowance	138 847	147 574
Social Contributions	75 767	93 708
Cellphone Allowance	24 953	24 468
	587 158	**635 700**

MMC - RURAL DEVELOPMENT AND LAND REFORM: Cllr R Manefelt

	2017	2016
Basic Salary	348 071	333 418
Car Allowance	138 847	133 090
Social Contributions	75 761	79 235
Cellphone Allowance	24 598	22 429
	587 277	**568 172**

MMC - HUMAN SETTLEMENT: Cllr KL Kokami

	2017	2016
Basic Salary	339 120	369 950
Car Allowance	135 276	147 574
Social Contributions	78 154	136 492
Cellphone Allowance	24 039	24 468
	576 589	**678 484**

MMC - SPORT, ARTS, CULTURE & RECREATION: (Portfolio was terminated on 31 August 2016)

	2017	2016
Basic Salary	30 829	369 950
Car Allowance	12 298	147 574
Social Contributions	8 335	98 431
Cellphone Allowance	2 039	24 468
	53 501	**640 423**

MMC - COUNCIL WHIP: Cllr PJ Phooko

	2017	2016
Basic Salary	373 429	369 950
Car Allowance	148 844	147 574
Social Contributions	157 965	181 748
Cellphone Allowance	25 567	24 468
	705 805	**723 740**

MMC - LOCAL ECONOMIC DEVELOPMENT & INVESTMENT: Cllr ER Moletsane

	2017	2016
Basic Salary	347 591	369 950
Car Allowance	138 847	147 574
Social Contributions	90 712	80 331
Cellphone Allowance	24 953	24 468
	602 103	**622 323**

MMC - FINANCE, AUDIT AND RISK MANAGEMENT: Cllr B Rooskrans

	2017	2016
Basic Salary	348 257	369 950
Car Allowance	139 102	147 574
Social Contributions	93 873	95 972
Cellphone Allowance	24 309	24 468
	605 541	**637 964**

Figures in Rand	2017	2016

33. Remuneration of councillors (continued)

PART TIME COUNCILLORS		
Cllrs' AH Viljoen, JM Hattingh, TA Mofokeng, MI Thajane, CM Dalton, MJ Lithupa, DN Nzunga, J Geldenhuis, Mokodutlo NP, Van Schalkwyk L, Baba JM, Boeije HME, Bolofo LD, Khasudi D, Khunyeli JM, Leboko OA, Makae HG, Mahlatsi MS, Mahlatsi JR, Malejoane AM, Marako TJ, Mareka J, Mntuze ME, Modisenyane MJ, Mokotedi MV, Morabe TD, Nhlapo M, Pietersen ML, Pittaway SH, Ramathibe BS, Serapela DJ, Yho-Yho M.		
Basic Salary	4 932 181	4 835 888
Car allowance	2 060 129	3 768 479
Social Contribution	395 674	1 702 664
Allowance	1 868 564	2 553 132
	9 256 548	**12 860 163**

MPAC CHAIRPERSON: Cllr ML Pietersen (Appointed from 1 March 2017)		
Basic Salary	152 007	344 284
Car allowance	60 669	137 734
Social Contribution	37 101	98 817
Cellphone Allowance	10 839	24 468
	260 616	**605 303**

34. Debt impairment

Debt impairment	47 753 777	64 805 535
Fines - impairment	3 375 095	1 877 963
	51 128 872	**66 683 498**

35. Depreciation and amortisation

Property, plant and equipment	110 298 920	108 549 703
Intangible assets	314 116	297 415
	110 613 036	**108 847 118**

36. Impairment loss on assets

Buildings	-	1 332 184

2015/2016
During the year, four municipal buildings were impaired. One of the four buildings was destroyed by a fire at the Kroonstad landfill site while the other three were impaired due to poor condition.

37. Finance costs

Interest on landfill sites and quarries	327 798	282 782
Interest on late payment of creditors	12 537 000	1 586 766
Interest paid - SARS	7 082	1 272
Interest on annuity loans	2 154 113	2 229 430
Interest on employee benefits	4 796 000	4 462 000
	19 821 993	**8 562 250**

Notes to the Financial Statements

Figures in Rand	2017	2016

38. Contracted services

Specialist services	23 116 814	25 328 381
Other contractors	2 614 659	2 102 619
	25 731 473	**27 431 000**

39. Repairs and maintenance

Repairs and maintenance consists of:		
Buildings	2 323 976	2 371 774
Furniture and Office equipment	1 020 843	514 029
Plant and Machinery	2 766 621	1 979 787
Network maintenance	33 477 134	27 888 846
Street and storm water drainage	9 114 306	7 519 201
Tools	189 741	193 243
Vehicles	7 693 163	12 093 754
	56 585 784	**52 560 634**

40. Grants and subsidies paid

Other subsidies		
Grant Expenditure - LG SETA	537 799	380 720
FMG Grant Expenditure	1 810 471	1 607 106
MSIG Grant Expenditure	-	669 516
EPWP Grant	999 153	689 377
	3 347 423	**3 346 719**

41. Bulk purchases

Electricity	224 129 497	208 317 063
Water	1 292 790	10 996 139
	225 422 287	**219 313 202**

Notes to the Financial Statements

Figures in Rand	2017	2016

42. General expenses

Advertising	347 295	286 366
Auditors remuneration	7 749 387	8 125 496
Bank charges	2 139 255	2 101 335
Chemicals	6 135 062	4 342 392
Cleaning	452 294	392 324
Commission paid	4 357 892	4 232 436
Committee expenses	972 931	1 679 381
Travel and subsistence	2 341 606	1 994 579
Consulting and professional fees	8 841 582	8 906 575
Consumables	262 929	255 662
Entertainment	352 437	422 094
Penalties - SARS	152 042	23 959
Fuel and oil	5 739 744	5 493 384
Funeral expenses	138 962	307 711
Lease rentals on operating lease	5 146 346	9 881 276
Loss on project	-	5 227
Performance management	486 215	171 780
Insurance	3 101 344	3 060 409
Licences - other	4 216 911	1 325 636
Licences - vehicles	516 219	354 222
Magazines, books and periodicals	-	8 906
Medical expenses	450 749	335 122
Other expenses	666 437	1 195 556
Departmental charges	20 575 264	16 570 271
Postage and courier	2 025 480	1 529 117
Pre-paid meters	368 016	1 708 566
Printing and stationery	1 748 688	2 141 158
Provision for rehabilitation adjustment	641 742	796 718
Protective clothing	1 177 683	1 633 498
Special programs	996 971	1 063 384
Subscriptions and membership fees	2 160 444	2 390 705
Telephone and fax	2 335 667	2 345 698
Traffic signs	133 746	139 010
Training	406 118	142 942
Valuation roll	2 222 592	158 002
Workmen's compensation	992 800	1 588 604
	90 352 850	**87 109 501**

43. Gains / (loss) on disposal of assets

Property, plant and equipment	(7 786 556)	(886 939)
Investment Property	(50 704)	(1 200 000)
Intangible assets	-	(141 992)
	(7 837 260)	**(2 228 931)**

Notes to the Financial Statements

Figures in Rand	2017	2016

43. Gains / (loss) on disposal of assets (continued)

Investment property	(50 704)	(1 200 000)
IT Equipment	-	(66 298)
Office Equipment	(2 623 929)	(179 258)
Plant and Machinery	(1 564)	(89 526)
Vehicles	(132 059)	(2 525)
Furniture and fixtures	-	(67 712)
Infrastructure	(1 503 386)	(481 034)
Finance leased assets	(62 278)	(586)
Intangible assets	-	(141 992)
Land	(3 324 180)	-
Community	(139 160)	-
	(7 837 260)	**(2 228 931)**

44. Fair value adjustments

Investment property (Fair value model)	2 185 403	5 197 620
Investment in shares	(4 808)	276
	2 180 595	**5 197 896**

45. Actuarial Gains/(Losses) on Employees benefits

Actuarial Gains / (Losses)	9 932 999	5 243 759

The above balance is made up as follows;

Long Service Awards - Actuarial gains/(losses)	564 000	(35 421)
Post retirement medical benefit - Actuarial gains/(losses)	9 368 999	5 279 000
	9 932 999	**5 243 579**

46. Auditors' remuneration

Fees	7 749 387	8 125 496

Notes to the Financial Statements

Figures in Rand	2017	2016

47. Cash generated from operations

Surplus / (deficit)	(138 612 701)	(84 700 641)
Adjustments for:		
Depreciation and amortisation	110 613 036	108 847 118
Loss on disposal of property, plant and equipment	7 837 237	2 228 921
Retirement benefits - acturial gains	(9 932 999)	(5 243 759)
Fair value adjustments	(2 180 595)	(5 197 894)
Inventory write up	(219 126)	(1 714 657)
Discounts received	(3 949)	(90 025)
Impairment loss	-	1 332 184
Debt impairment	51 128 872	66 683 498
Movements in retirement benefit assets and liabilities	3 610 000	3 514 000
Movements in provisions	2 143 540	1 998 261
Prior period adjustments	-	1 466 248
Changes in working capital:		
Inventories	(1 726 394)	(963 072)
Receivables from exchange transactions	(82 687 327)	(65 367 358)
Long term debtors	95 246	825 823
Other receivables from non-exchange transactions	(5 306 909)	(1 497 728)
Payables from exchange transactions	126 262 863	59 363 239
VAT	(8 997 641)	8 510 455
Unspent conditional grants and receipts	(228 954)	(354 137)
Consumer debtors	63 789	573 454
	51 857 988	**90 213 930**

48. Contingencies

Contingent liabilities - pending claims

The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Contingent liabilities		
Claims by individuals due to damage of property in various incidents	16 966 257	12 353 757
Claims from suppliers - contractual disputes	20 475 000	6 461 462
Leave accrual	7 741 553	7 595 988
	45 182 810	**26 411 207**

49. Related parties

The municipality did not enter into any related party transactions during the year under review, which were not at arm's length.

Key management information

Class	**Number**
Executive Mayor	1
Councillors	44
Municipal Manager	1
Section 57 managers	4

50. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

2016

	Note	As previously reported	Correction of error	Restated
Inventories	5	12 088 788	20 797	12 109 585
Receivables from non-exchange transactions	6	18 936 775	(59 621)	18 877 154
Payables from exchange transactions	15	(167 481 716)	(432 327)	(167 914 043)
Investment Property	9	158 154 797	782 900	158 937 697
Intangible assets	11	3 241 781	641 349	3 883 130
VAT payable	17	(24 896 532)	(151 433)	(25 047 965)
Property, plant and equipment	10	2 234 929 431	795 027	2 235 724 458
		2 234 973 324	**1 596 692**	**2 236 570 016**

Statement of financial performance

2016

	Note	As previously reported	Correction of error	Reclassification	Restated
Bulk purchases	41	211 953 084	1 030 200	6 329 918	219 313 202
Depreciation and amortisation	35	109 148 908	(301 790)	-	108 847 118
General expenditure	42	87 040 142	69 359	-	87 109 501
Repairs and maintenance	39	58 889 678	874	(6 329 918)	52 560 634
		467 031 812	**798 643**	**-**	**467 830 455**

Errors

A number of prior period errors were corrected during the year ending 30 June 2017. The details of the retrospective prior errors adjusted are reflected below.

50. Prior-year adjustments (continued)

Payables from exchange transactions, Bulk purchases - An invoice to the amount of R1,030,200 was not part of the accruals. A correction was done accordingly resulting in the increase of payables to the amount of R1,030,200 and the increase of bulk purchases to the amount of R1,030,200.

Receivables from non-exchange transactions, General expenditure - An overpayment was made to a supplier to the amount of R9,948. A correction was done accordingly resulting in the increase of receivables from non-exchange transactions to the amount of R9,948 and the decrease of general expenditure to the amount of (R9,948).

Receivables from non-exchange transactions, General expenditure - An excess receivable to the amount of R56,460 was identified. A correction was done accordingly resulting in the decreease of receivables from non-exchange transactions to the amount of (R56,460) and the increase of general expenditure to the amount of R56,460.

Payables from exchange transactions, General expenditure - An invoice to the amount of R22,867 was not part of the accruals. A correction was done accordingly resulting in the increase of payables to the amount of R22,867 and the increase of general expenditure to the amount of R22,867.

Payables from exchange transactions, General expenditure - An invoice to the amount of R873 was not part of the accruals. A correction was done accordingly resulting in the increase of payables to the amount of R873 and the increase of general expenditure to the amount of R873.

Accumulated surplus, Inventories - 2014/2015 expenses to the amount of R5,761 were written off. A correction was done accordingly resulting in the increase of accumulated surplus to the amount of R5,761 and the decrease of inventories to the amount of (R5,761).

Accumulated surplus, Receivables from non-exchange transactions - 2014/2015 expenses to the amount of R13,109 were written off. A correction was done accordingly resulting in the increase of accumulated surplus to the amount of R13,109 and the decrease of receivables from non-exchange transactions to the amount of (R13,109).

Accumulated surplus, Inventories - 2014/2015 store corrections expenses to the amount of R26,558 were made. A correction was done accordingly resulting in the increase of inventory to the amount of R26,558 and the decrease of accumulated surplus to the amount of (R26,558).

Accumulated surplus, VAT payable, Payables from exchange transactions - An old creditor wrote off R1,233,110 owed to them by the municipality. A correction was done accordingly resulting in the decrease payables to the amount of (R1,233,110), the increase of VAT payable to the amount of R151,434 and the increase of accumulated surplus to the amount of R1,081,676.

Accumulated surplus, Intangible assets, Depreciation and amortisation - An intangible assets useful life was reassessed. A correction was done accordingly resulting in the increase of intangible assets to the amount of R641,349, the increase of depreciation and amortisation to the amount of R64,687 and the increase of accumulated surplus to the amount of R706,036.

Accumulated surplus, Payables from exchange transactions - A correction for third party payments to the amount of R559,957 was done. This correction resulted in the increase payables to the amount of (R559,957) and the decrease of accumulated surplus to the amount of R559,957.

Accumulated surplus, Property, plant and equipment, Depreciation and amortisation - A moveable asset that was still in use were brought into the register. A correction was done accordingly resulting in the increase of property, plant and equipment to the amount of R21,459, the increase of depreciation and amortisation to the amount of R9,533 and the increase of accumulated surplus to the amount of R30,992.

Accumulated surplus, Property, plant and equipment, Depreciation and amortisation - A moveable asset that was still in use were brought into the register. A correction was done accordingly resulting in the increase of property, plant and equipment to the amount of R25,820, the increase of depreciation and amortisation to the amount of R5,931 and the increase of accumulated surplus to the amount of R31,751.

Payables from exchange transactions, Property, plant and equipment, Depreciation and amortisation - Immoveable assets was not capitalised in the prior year into the register. A correction was done accordingly resulting in the increase of property, plant and equipment to the amount of R50,236, the increase of depreciation and amortisation to the amount of

Notes to the Financial Statements

50. Prior-year adjustments (continued)
R1,320 and the increase of payables from exchange transactions to the amount of R51,556.

Accumulated surplus, Property, plant and equipment, Depreciation and amortisation - A project was brought into WIP. A correction was done accordingly resulting in the increase of property, plant and equipment to the amount of R617,420, the increase of accumulated surplus to the amount of R617,420.

Accumulated surplus, Property, plant and equipment, Depreciation and amortisation - Immovable assets was not capitalised in the prior year into the the register. The deprecation correction was done accordingly resulting in thedecrease of property, plant and equipment to the amount of R304,048, the increase of accumulated surplus to the amount of R285,048 and the increase of deprecation amounting to R19,000.

Accumulated surplus, Property, plant and equipment, Depreciation and amortisation - Immovable assets was not capitalised in the prior year into the the register. The cost correction was done accordingly resulting in the increase of property, plant and equipment to the amount of R950,000 and the drecrease of accumulated surplus to the amount R950.000.

Accumulated surplus, Property, plant and equipment, Depreciation and amortisation - Land was incorrectly as buildings. A depreciation correction was done accordingly resulting in the increase of property, plant and equipment to the amount of R217,037 and the drecrease of accumulated surplus to the amount R217,037.

Property, plant and equipment and Investment Property - Investment property was incorrectly classified as property, plant and equipment. A correction was done accordingly resulting in the decrease of property, plant and equipment to the amount of R782,900 and the increase of Investment property R782,900.

Reclassifications

Repairs and maintenance, Bulk purchases - Water purchases to the amount of R6,329,918 was incorrectly classified as repairs and maintenance. A correction was done that resulted in an increase in bulk purchases to the amount of R6,329,918 and a decrease in repairs and maintenance to the amount of (R6,329,918).

Figures in Rand	2017	2016

51. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 16,17, 18, 19, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality's total net borrowings consist of the following:

Total Borrowings	Notes	2017	2016
Finance lease obligation	13	678 642	1 325 205
Long-term loans	14	22 365 835	23 627 900
Payables from exchange transactions	15	293 953 832	167 914 045
	-	316 998 309	192 867 150
Less: Cash and cash equivalents	3	(6 312 007)	(11 845 788)
Net debt	**-**	**310 686 302**	**181 021 362**

Financial risk management

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

51. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

At 30 June 2017	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	668 946	9 696	-	678 642
Trade and other payables from exchange transactions	293 953 832	-	-	293 953 832
Consumer deposit	12 783 934	-	-	12 783 934
	307 406 712	**9 696**	**-**	**307 416 408**

At 30 June 2016	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	646 563	678 642	-	1 325 205
Trade and other payables from exchange transactions	167 914 045	-	-	167 914 045
Consumer deposit	12 720 145	-	-	12 720 145
	181 280 753	**678 642**	**-**	**181 959 395**

The municipality is currently negotiating revised repayment terms with regards to financial liabilities.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2017 and 2016, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2017, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, deficit for the year would have been R - lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R - lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA primary bank account;
- ABSA fixed deposits;
- ABSA notice deposit;
- Finance lease obligations; and
- Various annuity loans;

The following financial instruments at year-end carried a variable interest rate;
- ABSA primary bank account;
- Finance lease obligations;

The following financial instruments at year-end carried a fixed interest rate;
- ABSA fixed deposits;
- ABSA notice deposit;
- Various annuity loans;

Figures in Rand	2017	2016

51. Risk management (continued)

The municipality's consumer receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as electricity, water, sanitation, refuse and rates levied. Consumer receivables constitute approximately 86% of the municipality's total exposure to maximum credit risk. The municipality's exposure and credit ratings of its customers are continuously monitored.

The municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties,the municipality does implement the debt and credit control policy in order to recover the outstanding debt. Where debt is irrecoverable it has been written-off accordingly. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

Cash and Cash Equivalents
Moqhaka local municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Investments
It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

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

Credit risk

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

Financial instrument	**2017**	**2016**
ABSA Bank	5 120 526	5 481 718
ABSA BANK Short-term deposit	1 170 001	6 348 590
Receivables from exchange transactions	122 684 785	87 751 235
Other receivables from non-exchange transactions	20 808 968	18 877 154
Long term debtors	6 933 697	7 028 943

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

52. Going concern

We draw attention to the fact that at 30 June 2017 we incurred a net loss of R138,612,701, however the municipality had accumulated surplus of R 2 098 276 199 and the municipality's total assets exceed its liabilities by R 2 098 276 199.

We also draw attention to the fact that at 30 June 2017 the municipality owed Eskom R210,676,280 of this amount R179,091,347 is long overdue.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The 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.

Despite the uncertainties which cast doubt on the municipality’s ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2017, as there are no current indications that government funding will be withheld from the municipality for any reason.

Notes to the Financial Statements

Figures in Rand	2017	2016

53. Events after the reporting date

There were no subsequent events after the reporting date that had an impact on the financial results as disclosed for the year ended 30 June 2017.

Notes to the Financial Statements

Figures in Rand	2017	2016

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2017	2016
Opening balance	(187 017)	34 147
Current year subscription / fee	2 285 493	1 995 646
Amount received / (paid) - current year	(1 963 916)	(2 216 810)
	134 560	**(187 017)**

Material losses through criminal conduct

There were no material losses incurred due to criminal conduct identified during the year by the municipality.

Audit fees

	2017	2016
Opening balance	605 905	21 783
Current year fee	7 342 948	4 556 146
Interest charged	-	9 071
Amount paid - current year	(5 303 425)	(3 959 312)
Amount paid - previous years	(605 905)	(21 783)
	2 039 523	**605 905**

PAYE and UIF

	2017	2016
Opening balance	1 927 710	-
Current payroll deductions	29 134 486	22 934 133
Amount paid - current year	(28 802 263)	(21 006 423)
	2 259 933	**1 927 710**

Pension and Medical Aid Deductions

	2017	2016
Opening balance	4 710 228	-
Current payroll deductions and council contribution	57 410 317	52 997 632
Amount paid - current year	(57 139 681)	(48 287 404)
	4 980 864	**4 710 228**

Skills Development Levy

	2017	2016
Opening balance	144 516	-
Current payroll deductions and council contribution	1 929 063	1 704 841
Amount paid - current year	(1 917 142)	(1 560 325)
	156 437	**144 516**

Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

	2017	2016
Estimated line losses	12 554 561	12 098 627
Losses due to tampering or theft	38 582 954	43 739 409
	51 137 515	**55 838 036**

Estimated water losses suffered by the municipality for the year under review is are follows:

	2017	2016
Estimated water losses	7 459 044	15 137 855

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

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at:

	Outstanding more than 90 days R	Outstanding more than 90 days R
Dire MP	-	1 109
Tau DA	-	960
Lithupa MJ	283	-
Twapa VPM	-	39 711
Makau TL	-	134
Mareka J	4 657	377
Khunyeli JM	13 688	-
Green MM	-	444
Morabe TD	46 049	-
Magadlela ZS	-	1 318
Leboko AO	793	-
Leokaoke TJ	-	1 391
Ranthama MA	-	7 373
Mokodutlo W	-	895
Phooko PJ	99 793	72 604
Ramathibe MS	11 513	-
Mahlatsi SS	5 737	-
Malejoane AM	494	-
Makae HG	13 294	-
Mpondo VL	3 086	-
Mofokeng TA	10 767	-
Mokoena S	816	-
Mntuze ME	28 266	-
Marako TJ	4 168	-
Baba JM	2 707	-
Khasudi D	6 345	-
	252 456	**126 316**

55. Irregular expenditure

Opening balance	397 509 976	367 796 283
Add: Irregular Expenditure - current year	322 014	2 955 763
Add: Audit Adjustments	32 527 748	26 757 930
	430 359 738	**397 509 976**

Analysis of expenditure awaiting write off per age classification

Current year	32 849 762	29 713 693
Prior years	397 509 976	367 796 283
	430 359 738	**397 509 976**

Notes to the Financial Statements

Figures in Rand	2017	2016

56. Fruitless and wasteful expenditure

Opening balance	12 706 568	11 447 967
Add: Fruitless and wasteful expenditure - current year	12 750 321	1 626 865
Add: Audit adjustments	61 586	33 086
Less: Amounts written off by Council	-	(401 350)
	25 518 475	**12 706 568**

Interest on loan amounts as a result of exceeding of payment terms - DBSA	54 197	10 980
Interest and penalties SARS	159 124	25 231
Interest on arrear payments to creditors	12 598 586	1 590 654
Overpayment of employee benefits	-	33 086
Fruitless and wasteful for previous years	12 706 568	11 447 967
Fruitless and wasteful written off by Council	-	(401 350)
	25 518 475	**12 706 568**

The tourism extravaganza expenditure is still under investigation.

Interest on loan amounts as a result of exceeding payment terms

Opening balance	10 980	50 851
Fruitless and wasteful current year	54 197	10 980
Written off by council	-	(50 851)
	65 177	**10 980**

Interest on outstanding payments to pension fund

Opening balance	-	4 907
Fruitless and wasteful written off by council	-	(4 907)
	-	**-**

Interest on arrears payments to creditors

Opening balance	1 590 654	309 955
Fruitless and wasteful current year	12 598 586	1 590 654
Written off by council	-	(309 955)
	14 189 240	**1 590 654**

Figures in Rand	2017	2016

56. Fruitless and wasteful expenditure (continued)

Interest and penalties on late payments / SARS

Opening balance	25 231	35 637
Fruitless and wasteful current year	159 124	25 231
Written off by Council	-	(35 637)
	184 355	**25 231**

Overpayment of employee benefits

Opening balance	33 086	-
Audit adjustments	-	33 086
	33 086	**33 086**

57. Unauthorised expenditure

Opening balance	200 577 616	142 927 870
Unauthorised expenditure - current year	183 666 884	146 012 111
Correction of cumulative balance	-	44 563 049
Written off by Council	-	(132 925 414)
	384 244 500	**200 577 616**

The above unauthorised expenditure relates to Council votes that were overspent.

58. Deviation from supply chain management regulations

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

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

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Description	Number of Deviations	Deviation 2017
Emergency	54	7 742 843
Sole Supplier	44	1 154 950
Urgent	194	10 031 450
	292	**18 929 243**

Description	Number of Deviations	Deviation 2016
Emergency	22	3 015 223
Sole Supplier	61	3 957 350
Urgent	124	21 483 451
	207	**28 456 024**

Notes to the Financial Statements

Figures in Rand	2017	2016

59. Commitments

Capital commitments

Approved and contracted for:		
• Infrastructure	30 651 558	23 513 026
Approved and not contracted for:		
• Infrastructure	14 443 151	42 584 387
Total capital commitments		
Approved and contracted for	30 651 558	23 513 026
Approved and not contracted for	14 443 151	42 584 387
	45 094 709	**66 097 413**

Other commitments

Approved and contracted for:		
• General expenditure	5 891 850	9 570 091
Total operational commitments		
Approved and contracted for	5 891 850	9 570 091

Total commitments

Total commitments		
Authorised capital expenditure	45 094 709	66 097 413
Authorised operational expenditure	5 891 850	9 570 091
	50 986 559	**75 667 504**

Infrastructure commitments approved and contracted for will be funded by grants from government. Other operational commitments aprroved and contracted for will be finaced from the municipality's own funding.

60. Non-Compliance with the MFMA

During the current financial year the following non-compliance issues were identified:

Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)
Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency.

Municipal Finance Management Act section 116(2)(b), (c)
The performance of all contractors were not monitored on a monthly basis.

Municipal Finance Management Act section 65 (e)
Creditors were not paid in 30 days as required by the Act.

Municipal Finance Management Act section 52(d),
The budget implementation and state of financial affairs submission was not in accordance with the prescribed timeframe.

Notes to the Financial Statements

61. Budget differences

Material differences between budget and actual amounts

Refer to page 11 in the annual financial statements for an analysis of budget versus the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 12 in the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages 12 in the annual financial statements