Greater Letaba Municipality
Audited Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.
Grading of local authority	Category 3 Local Municipality in terms of Remuneration of Public Office Bearers Act (Act 20 of 1998)

Executive committee

Mayor	Hon Cllr MP Matlou
Speaker	Hon Cllr MD Makhananisa
Chief Whip	Cllr PJ Mampeule
Members of the Executive Committee	Cllr TJ Rababalela (Water and Sanitation Services) Cllr MP Masela (Economic Development) Cllr MG Selowa (Community Services) Cllr D Raphokwane (Public Transport and Roads) Cllr MM Mabeba (Agriculture and Environment) Cllr ND Modiba (Finance) Cllr SM Rasetsoke (Sports, Arts and Culture) Cllr MM Nkwana (Corporate and Shared Services) Cllr MR Mosila (Infrastructure)

General Information

Councillors	Cllr MV Mangoro Cllr DG Rabothata Cllr SS Malatji Cllr MI Manyama (MPAC Chairperson) Cllr V Nkuna Cllr MA Lebepe Cllr PJ Mohale Cllr MS Kgatla Cllr ME Ralefatane Cllr MV Rampedi Cllr KE Ramaano Cllr ME Masedi Cllr S Selamolela Cllr NF Lebeko Cllr PW Selema Cllr MP Ngobeni Cllr MM Mankgeru Cllr R Ramoba Cllr MP Monaiwa Cllr R Ratlhaha Cllr KB Monyela Cllr MP Makomene Cllr ME Ramabela Cllr N Selowa Cllr BE Ngobeni Cllr PD Moroatshehla Cllr NL Seshoka Cllr SJ Hlungwani Cllr MF Hlapane Cllr TJ Kgapane Cllr RG Baloyi Cllr MR Maake Cllr F Manyama Cllr GH Modjadji Cllr M Mathedimosa Cllr MEC Ndobela Cllr ZT Maluleke Cllr FC Pohl Cllr TJ Senyola Cllr SB Rampyapedi Cllr E Mathaba Cllr MB Maenetsa Cllr MM Selomo Cllr SL Mohale Cllr L Mphenemene Cllr R Motsinone Cllr PP Ralepatana Cllr MC Rasetsoke

General Information

Previous Councillors (Contract expired on the 10th of August 2016)	Hon Cllr GH Modjadji (Mayor) Hon Cllr MM Nkwana (Speaker) Cllr PJ Mampeule (Chief Whip) Cllr NN Baloi (Health and Social development) Cllr MP Malola (Corporate and Shared Services) Cllr NE Phatudi (Economic development, Housing and Spatial planning) Cllr FM Moroatshehla (Agriculture and Environment) Cllr TJ Rababalela (Public transport and roads) Cllr TC Shai-Kgafela (Finance) Cllr MC Seale (Sports, arts and culture) Cllr MP Satekge (Water and sanitation services) Cllr NM Kgatla (Infrastructure) Cllr GJ Mkansi Cllr MG Ntuli Cllr SS Malatji Cllr MI Manyama Cllr MV Mashapa Cllr MD Makhananisa Cllr TE Makgatho Cllr ME Machete Cllr LR Mashapa Cllr MSS Sebelemetja Cllr DI Matloga Cllr FN Maake Cllr AM Mantlhakga Cllr MM Mankgero Cllr RE Sekhonoane Cllr TD Mokhari Cllr MF Makhubela Cllr MG Selowa Cllr BE Ngobeni Cllr MF Kgamedi Cllr RJ Makhananisa Cllr NT Machete Cllr MJ Baloyi (MPAC Chairperson) Cllr MJ Kgatla Cllr MA Lebepe (Mr) Cllr Ma Lebepe (Ms) Cllr ME Lebepe Cllr SP Mabale Cllr ME Mafona Cllr MA Makgeru Cllr MF Manyama Cllr MF Moruthoane Cllr M Mathedimosa Cllr MP Masela Cllr M Serekele Cllr DL Selowa Cllr TJ Senyolo Cllr MJ Nakana Cllr MF Mokwalakwala Cllr ZT Maluleke Cllr MJ Masutha
AUDIT COMMITTEE	RR Shilenge (Chairperson) JM Mabuza Adv TW Malatjie HG Hlomane TW Sebola SAB Ngobeni
Chief Finance Officer (CFO)	MF Mankgabe

General Information

Accounting Officer	D Mhangwana
Registered office	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Business address	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Postal address	PO Box 36 Modjadjiskloof 0835
Bankers	First National Bank
Auditors	Auditor General of South Africa
Enabling legislstion	Division of Revenue Act (Act 3 of 2016) Local Government Municipal Finance Management Act (Act 56 of 2003) Municipal Property Rates Act (Act 6 of 2004) Local Government Municipal Systems Act (Act 32 of 2000) Local Government Municipal Atructures Act (Act 117 of 1998)
Level of rounding	Nearest Rand

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

Abbreviations

COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
VAT	Value Added Tax
SALGA	South African Local Government Association

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

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

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

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

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

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

The audited annual financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed by:

D Mhangwana
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality is R 90,079,183 (2016: surplus R 155,489,141).

2. Going concern

As at 30 June 2017, the municipality had accumulated surplus of R 771,584,314 and that the municipality's total assets exceed its liabilities by R 771,584,314.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. In order to be able to trade as going concern the municipality is dependent on the grants received from Government.

3. Subsequent events

Adjusting events
The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have a material impact on the audited annual financial statements.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The audited annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name
D Mhangwana

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	6,435,945	736,890
Receivables from exchange transactions	4	56,172,743	39,474,799
Receivables from non-exchange transactions	5	6,396,801	5,470,219
VAT receivable	43	10,175,655	17,766,166
Consumer debtors	6	6,883,323	11,150,895
Cash and cash equivalents	7	55,932,345	60,714,361
		141,996,812	**135,313,330**
Non-Current Assets			
Investment property	8	240,057	249,048
Property, plant and equipment	9	677,895,023	613,646,072
Intangible assets	10	117,244	208,103
Heritage assets	11	548,500	548,500
		678,800,824	**614,651,723**
Total Assets		**820,797,636**	**749,965,053**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	35,693,282	54,474,184
Consumer deposits	13	363,726	351,303
Unspent conditional grants and receipts	14	643,677	-
		36,700,685	**54,825,487**
Non-Current Liabilities			
Employee benefit obligation	15	12,215,836	11,217,637
Provisions	16	296,801	2,416,800
		12,512,637	**13,634,437**
Total Liabilities		**49,213,322**	**68,459,924**
Net Assets		**771,584,314**	**681,505,129**
Accumulated surplus		771,584,314	681,505,137

* See Note 44 & 37

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	13,836,020	12,997,381
Rental of facilities and equipment		142,097	90,519
Interest received - outstanding receivables		9,162,216	7,752,685
Agency services		1,975,516	1,813,180
Licences and permits		4,261,961	2,901,591
Other income		1,239,860	1,224,136
Interest received - investment	18	5,885,924	5,918,591
Total revenue from exchange transactions		**36,503,594**	**32,698,083**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	11,845,856	12,221,108
Transfer revenue			
Government grants and subsidies	20	270,846,324	302,119,710
Traffic fines		1,373,405	1,932,180
Fair value adjustment		-	5,523,873
Total revenue from non-exchange transactions		**284,065,585**	**321,796,871**
Total revenue	21	**320,569,179**	**354,494,954**
Expenditure			
Employee related costs	22	68,377,015	64,621,197
Remuneration of councillors	23	18,896,474	17,728,499
Depreciation and amortisation	24	31,106,428	27,587,353
Debt Impairment	45	24,545,889	9,513,611
Repairs and maintenance		4,102,201	5,754,017
Bulk purchases	25	13,029,942	8,728,768
Contracted services	26	13,404,220	9,272,936
Loss on disposal of assets and liabilities		98,007	-
General expenses	27	56,929,820	55,799,432
Total expenditure		**230,489,996**	**199,005,813**
Surplus for the year		**90,079,183**	**155,489,141**

* See Note 44 & 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015 as restated*	**526,015,996**	**526,015,996**
Changes in net assets		
Surplus for the period	155,489,141	155,489,141
Total changes	155,489,141	155,489,141
Opening balance as previously reported	682,220,420	682,220,420
Adjustments		
Change in accounting policy (Note 37 & 44))	(52,810)	(52,810)
Prior year adjustments (Note 37)	(662,479)	(662,479)
Restated* Balance at 01 July 2016 as restated*	**681,505,131**	**681,505,131**
Changes in net assets		
Surplus for the year	90,079,183	90,079,183
Total changes	90,079,183	90,079,183
Balance at 30 June 2017	**771,584,314**	**771,584,314**

Note(s)

* See Note 44 & 37

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		11,029,921	9,192,805
Grants		271,490,000	277,830,000
Interest income		5,918,591	8,578,392
Cash received from agency fees, fines & Sundry Income		6,309,284	4,969,496
		294,747,796	300,570,693
Payments			
Employee costs		(84,974,458)	(80,706,085)
Suppliers		(119,050,070)	(79,155,707)
		(204,024,528)	(159,861,792)
Net cash flows from operating activities	29	**90,723,268**	**140,708,901**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(95,600,150)	(174,535,738)
Purchase of other intangible assets	10	(20,551)	(58,316)
Proceeds from sale of assets		115,417	74,496
Net cash flows from investing activities		**(95,505,284)**	**(174,519,558)**
Net increase/(decrease) in cash and cash equivalents		**(4,782,016)**	**(33,810,657)**
Cash and cash equivalents at the beginning of the year		60,714,361	94,525,018
Cash and cash equivalents at the end of the year	7	**55,932,345**	**60,714,361**

* See Note 44 & 37

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	Refer to note 41 for explanations of major variances
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	25,984,021	7,000,000	**32,984,021**	13,836,020	**(19,148,001)**	
Rental of facilities and equipment	250,057	-	**250,057**	142,097	**(107,960)**	
Interest received - outstanding receivables	7,778,083	-	**7,778,083**	9,162,216	**1,384,133**	
Income from agency services	1,942,190	-	**1,942,190**	1,975,516	**33,326**	
Licences and permits	6,264,363	-	**6,264,363**	4,261,961	**(2,002,402)**	
Other income	5,388,532	-	**5,388,532**	1,239,860	**(4,148,672)**	
Receipts from investments	17,488,656	12,173,141	**29,661,797**	-	**(29,661,797)**	
Interest received- investments	4,033,870	-	**4,033,870**	5,885,924	**1,852,054**	
Gains on disposal of assets	106,200	-	**106,200**	-	**(106,200)**	
Total revenue from exchange transactions	**69,235,972**	**19,173,141**	**88,409,113**	**36,503,594**	**(51,905,519)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	9,599,611	-	**9,599,611**	11,845,856	**2,246,245**	
Transfer revenue						
Government grants	271,490,000	-	**271,490,000**	270,846,324	**(643,676)**	
Fines	376,099	-	**376,099**	1,373,405	**997,306**	
Total revenue from non-exchange transactions	**281,465,710**	**-**	**281,465,710**	**284,065,585**	**2,599,875**	
Total revenue	**350,701,682**	**19,173,141**	**369,874,823**	**320,569,179**	**(49,305,644)**	
Expenditure						
Employee related costs	(69,729,686)	296,716	**(69,432,970)**	(68,377,015)	**1,055,955**	
Remuneration of councillors	(18,844,825)	-	**(18,844,825)**	(18,896,474)	**(51,649)**	
Depreciation and amortisation	(14,812,526)	-	**(14,812,526)**	(31,106,428)	**(16,293,902)**	
Debt impairment	(5,574,283)	-	**(5,574,283)**	(24,545,889)	**(18,971,606)**	
Repairs and maintenance	(8,586,751)	-	**(8,586,751)**	(4,102,201)	**4,484,550**	
Bulk purchases	(10,038,341)	(4,000,000)	**(14,038,341)**	(13,029,942)	**1,008,399**	
Contracted Services	(10,644,330)	-	**(10,644,330)**	(13,404,220)	**(2,759,890)**	
General Expenses	(69,065,818)	6,180,409	**(62,885,409)**	(56,929,820)	**5,955,589**	
Total expenditure	**(207,296,560)**	**2,477,125**	**(204,819,435)**	**(230,391,989)**	**(25,572,554)**	
Operating surplus	**143,405,122**	**21,650,266**	**165,055,388**	**90,177,190**	**(74,878,198)**	
Loss on disposal of assets and liabilities	-	-	**-**	(98,007)	**(98,007)**	
Surplus before taxation	**143,405,122**	**21,650,266**	**165,055,388**	**90,079,183**	**(74,976,205)**	
Surplus for the year before capital expenditure	**143,405,122**	**21,650,266**	**165,055,388**	**90,079,183**	**(74,976,205)**	
Capital Expenditure	(143,405,122)	(21,650,266)	**(165,055,388)**	(95,620,701)	**69,434,687**	

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	Refer to note 41 for explanations of major variances
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(5,541,518)**	**(5,541,518)**	

Accounting Policies

1. Basis of preparation

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

Fair value estimation

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

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.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment, intangible assets and investment property

The municipality's management determines the estimated useful lives and related depreciation charges for the assets. This estimate is based on industry norm.

Post retirement benefits

The Municipality has defined benefit plan. 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.

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Debtors impairment

Consumer debtors

The provision for impairment is measured with reference to the aging of debtors.The municpality provide for all debtors >120 days excluding government debtors and debtors with credit balances. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors

The provision for impairment is measured with reference to the recoverability rate.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

1.4 Investment property (continued)

Cost model

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

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

Item	Useful life
Property - buildings	30 years

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

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

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

1.5 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.

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

Work in progress is carried at cost. The retention is recorded at cost under payables

1.5 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Infrastructure	Straight line	
• Roads, pavements, bridges and storm water		10 - 100
• Street names, signs and parking meters		5
• Water reservoirs and reticulation		15 -20
• Electricity reticulation		20 -50
• Sewerage purification and reticulation		15 - 20
• Refuse sites		15
• Security measures		5
	Straight line	
• Parks and gardens		10 -30
• Sports fields		20 -30
• Community halls		30
• Libraries		30
• Recreational facilities		30
• Cemetries		30
Other assets	Straight line	
• Motor vehicles		7 - 15
• Plant and equipment		2 - 5
• IT equipment		5
• Office equipment		5
Work-in progress		Not depreciated

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

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

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

1.6 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.

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	**Useful life**
Computer software, other	3 years

1.7 Heritage assets

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

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.

1.7 Heritage assets (continued)

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 is carried at its cost less any accumulated impairment losses.

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).

1.8 Financial instruments

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently received at fair value.

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 municipality assesses the classification of each element separately.

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. The aggregate benefit of incentives of operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.11 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.11 Inventories (continued)

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at market value as per the approved municipality valuation roll.

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

1.12 Related parties

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

1.13 Events after the reporting date

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.

1.14 Value added tax

The municipality accounts for Value Added Tax on accrual basis.

1.15 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:

1.15 Impairment of cash-generating assets (continued)

(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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

1.15 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

Redesignation

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

1.16 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.

Accounting Policies

1.16 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.

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

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

Short-term employee benefits

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

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

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

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

1.17 Employee benefits (continued)

Retirement benefits

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

Post-employment benefits: Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

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

Post-employment benefits: Defined benefit plans

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;

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

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

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

1.18 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
- The municipality has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- The municipality 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.

The municipality does not recognise contingent liabilities or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets and liabilities are disclosed in note 31.

Accounting Policies

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue from exchange transactions

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

Measurement

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

Sale of goods

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

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Service charges

Flat rate service charges relating to electricity which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be 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.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

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

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.21 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.

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.

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

Rates (including collection charges and penalty interest)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognisedwhen such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on inco

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are rcognised once the municipal valuer has valued the change to propert

Government grants, transfers and donations

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.

1.21 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.
Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the further of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in tha stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the exten that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To th extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position.

Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier othe date of receipt or when the amount is receivable. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

When conditions are attached to a transferred asset, the municipality incurs a liability. The municipality has a present obligationto comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.

Restrictions on transferred assets arise when there is an expectation and/or understanding about the particular way that the assets will be used. However, there is no requirement that the transferred asset, or future economic benefits or service potential are to be returned to the transferor if the assets are not used as per the expectation or understanding. Thus, initially gaining control of an asset with restrictions does not impose a present obligation on the recipient and consequently no liability is recognised. Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.22 Borrowing costs

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

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

1.23 Comparative information

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

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

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.26 Irregular expenditure

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

1.27 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.

Investments in securities

Investments in securities are recognised and initially measured at cost.

1.28 Conditional grants and receipts

Revenue received from conditional grants, 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.

1.29 Expenditure

Expenditure is recognised as an expense when it is incurred (Accrual basis).

1.30 Budget information

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

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

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

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

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

The municipality consider all variances which are +-10% to be material and explanations are provided for them

Comparative information is not required.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	
• GRAP 20: Related parties	01 April 2017	

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

3. Inventories

Work in progress	5,575,722	-
Consumable stores	860,223	736,890
	6,435,945	**736,890**

The total of consumable store's is represented by items held for use in operations. The work-in progress inventory is for electricity projects which will be transfered to Eskom upon completion.

4. Receivables from exchange transactions

Deposits	1,335,794	1,398,503
Sundry debtors	3,073,688	1,332,684
Cash suspense	-	1,153,071
Insurance debtor	151,750	-
Mopani District Municipality (Water and Sanitation function)	52,750,608	35,643,638
Less: Allowance for impairment	(1,139,097)	(53,097)
	56,172,743	**39,474,799**

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security for any financial liability.

Fair value of receivables approximates the carrying amount thereof.

Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R53 097 - (2016: 53 097) were impaired and provided for.

5. Receivables from non-exchange transactions

Traffic Fines	6,638,425	5,378,345
Consumer Debtors - Rates	44,181,666	35,154,589
Impairment of Consumer debtors - Rates	(38,101,432)	(29,900,130)
Impairment of traffic fines	(6,321,858)	(5,162,585)
	6,396,801	**5,470,219**

Receivables from non-exchange transactions impaired

The ageing of rates is as follows:

Current (0-30 days)	1,134,535	1,072,453
31-60 days	909,573	829,728
61-90 days	882,374	784,879
91-120 days	864,718	745,950
121-365 days	6,507,192	5,608,642
>365 days	33,883,274	26,112,937
	44,181,666	35,154,589
Less: Impairment	(38,101,432)	(29,900,130)
	6,080,234	5,254,459

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

6. Consumer debtors

Gross balances		
Electricity	17,621,676	14,720,136
Refuse	39,712,981	33,348,471
Other	19,358,613	18,792,920
	76,693,270	**66,861,527**
Less: Allowance for impairment		
Electricity	(14,054,639)	(6,486,600)
Refuse	(36,847,920)	(30,873,390)
Other	(18,907,388)	(18,350,642)
	(69,809,947)	**(55,710,632)**
Net balance		
Electricity	3,567,037	8,233,536
Refuse	2,865,061	2,475,081
Other	451,225	442,278
	6,883,323	**11,150,895**
Electricity		
Current (0 -30 days)	1,115,537	1,282,915
31 - 60 days	674,353	611,012
61 - 90 days	554,099	521,157
91 - 120 days	534,707	460,897
121 - 365 days	3,418,655	2,584,152
> 365 days	11,324,324	9,260,253
	17,621,675	**14,720,386**
Refuse		
Current (0 -30 days)	682,465	605,427
31 - 60 days	633,418	551,293
61 - 90 days	612,332	528,818
91 - 120 days	601,956	517,084
121 - 365 days	4,513,508	3,964,527
> 365 days	32,669,302	27,181,324
	39,712,981	**33,348,473**
Other		
Current (0 -30 days)	69,908	69,614
31 - 60 days	68,909	68,720
61 - 90 days	68,908	68,759
91 - 120 days	68,907	71,748
121 - 365 days	552,517	562,301
> 365 days	18,529,463	17,951,528
	19,358,612	**18,792,670**

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

6. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1,499,350	1,482,863
31 - 60 days	1,151,290	1,069,345
61 - 90 days	1,068,012	956,081
91 - 120 days	1,014,585	891,190
121 - 365 days	7,451,242	6,218,648
> 365 days	58,974,440	51,543,980
	71,158,919	**62,162,107**

Industrial/ commercial		
Current (0 -30 days)	317,151	420,857
31 - 60 days	189,454	122,866
61 - 90 days	127,581	119,144
91 - 120 days	150,333	115,956
121 - 365 days	773,312	651,259
> 365 days	2,579,198	2,203,833
	4,137,029	**3,633,915**

National and provincial government		
Current (0 -30 days)	50,511	53,217
31 - 60 days	35,175	37,852
61 - 90 days	39,746	42,242
91 - 120 days	40,652	41,520
121 - 365 days	255,192	231,846
> 365 days	942,633	631,892
	1,363,909	**1,038,569**

Other: Ageing		
Current(0-30 days)	898	1,021
31-60 days	761	961
61-90 days	-	1,266
91-120 days	-	1,064
121-365 days	4,936	9,227
>365 days	26,818	13,398
	33,413	**26,937**

Total		
Current (0 -30 days)	1,867,911	1,957,957
31 - 60 days	1,376,680	1,231,025
61 - 90 days	1,235,339	1,118,733
91 - 120 days	1,205,570	1,049,730
121 - 365 days	8,484,681	7,110,979
> 365 days	62,523,089	54,393,103
	76,693,270	66,861,527
Less: Allowance for impairment	(69,809,946)	(55,710,632)
	6,883,324	**11,150,895**

Less: Allowance for impairment		
> 120 days	(69,809,947)	(55,710,632)

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

6. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(55,710,632)	(54,046,465)
Contributions to allowance	(14,099,315)	(1,664,167)
	(69,809,947)	**(55,710,632)**

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

The fair value of consumer debtors approximates the carrying amount thereof.

Consumer debtors impaired

As of 30 June 2017, consumer debtors of R 69,809,946 (2016: R 55,710,632) were impaired and provided for.

The amount of the provision movement was R 14,099,314 as of 30 June 2017 (2016: R 1,664,167).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,301,712	1,229,111
Short-term deposits	51,515,756	57,491,850
Call account	2,114,877	1,993,400
	55,932,345	**60,714,361**

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
FNB BANK - 52100005761	9,142,172	476,160	27,880,019	723,894	471,257	27,154,756
FNB BANK - 62051705534	1,189,742	757,855	4,226,135	1,577,818	757,854	4,226,212
Total	**10,331,914**	**1,234,015**	**32,106,154**	**2,301,712**	**1,229,111**	**31,380,968**

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480,511	(240,454)	240,057	480,511	(231,463)	249,048

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	249,048	(8,991)	240,057

8. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	258,065	(9,017)	249,048

Pledged as security

No investment property asset was pledged as security for financial liabilities.

The useful lives of investment property were reviewed and possible impairment has been assesed at reporting date.

9. 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	33,722,092	-	33,722,092	33,722,092	-	33,722,092
Buildings	166,566,639	(38,297,005)	128,269,634	131,616,581	(26,506,757)	105,109,824
Infrastructure	498,238,754	(75,620,115)	422,618,639	361,059,674	(61,434,637)	299,625,037
Other assets	51,229,923	(30,565,844)	20,664,079	51,934,225	(26,305,225)	25,629,000
WIP - Infrastructure	36,691,239	-	36,691,239	111,701,298	-	111,701,298
WIP - Buildings	35,929,340	-	35,929,340	37,858,821	-	37,858,821
Total	**822,377,987**	**(144,482,964)**	**677,895,023**	**727,892,691**	**(114,246,619)**	**613,646,072**

Notes to the Audited Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Assets under construction	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Disposals	Total
Land	33,722,092	-	-	-	-	-	-	-	-	33,722,092
Buildings	105,109,824	20,170,369	-	-	16,959,006	(2,179,316)	(5,022,402)	(6,767,847)	-	128,269,634
Infrastructure	299,625,037	48,241,238	-	-	88,937,842	-	(13,340,686)	(844,792)	-	422,618,639
Other assets	25,629,000	410,551	-	(1,114,855)	-	-	(4,251,443)	(758,856)	749,682	20,664,079
WIP - Infrastructure	111,701,298	-	11,748,467	-	-	(86,758,526)	-	-	-	36,691,239
WIP - Buildings	37,858,821	-	15,029,525	-	-	(16,959,006)	-	-	-	35,929,340
	613,646,072	**68,822,158**	**26,777,992**	**(1,114,855)**	**105,896,848**	**(105,896,848)**	**(22,614,531)**	**(8,371,495)**	**749,682**	**677,895,023**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets under construction	Disposals	Transfers	Depreciation	Impairment loss	Disposals	Total
Land	31,570,092	-	-	-	2,152,000	-	-	-	33,722,092
Buildings	101,760,459	5,861,085	-	-	5,343,813	(4,710,927)	(3,144,606)	-	105,109,824
Infrastructure	195,939,852	79,193,669	-	(43,232)	33,038,909	(8,486,520)	(23,056)	5,415	299,625,037
Other assets	29,006,280	1,630,106	-	(11,794)	-	(4,996,455)	(5,801)	6,664	25,629,000
WP - Infrastructure	74,062,561	-	70,677,646	-	(33,038,909)	-	-	-	111,701,298
WP - Buildings	26,029,402	-	17,173,232	-	(5,343,813)	-	-	-	37,858,821
	458,368,646	**86,684,860**	**87,850,878**	**(55,026)**	**2,152,000**	**(18,193,902)**	**(3,173,463)**	**12,079**	**613,646,072**

Pledged as security

None of the property, plant and equipment are pledged as security for financial liabilities.

The residual value and useful lives of property plant and equipment were reviewed and possible impairment has been assesed at reporting date

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.

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,170,516	(1,053,272)	117,244	1,149,965	(941,862)	208,103

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	208,103	20,551	(111,410)	117,244
	208,103	**20,551**	**(111,410)**	**117,244**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	366,696	58,316	(216,909)	208,103

Pledged as security

No intangible assets were pledged as security:

Other information

The residual value and useful lives of intangible assets were revieved and possible impairnent has been assesed at reporting date

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Waterfall picnic site	103,000	-	103,000	103,000	-	103,000
Historical monuments and statues	190,500	-	190,500	190,500	-	190,500
Mayoral gold chain	195,000	-	195,000	195,000	-	195,000
Paintings	60,000	-	60,000	60,000	-	60,000
Total	**548,500**	**-**	**548,500**	**548,500**	**-**	**548,500**

Reconciliation of heritage assets 2017

	Opening balance	Total
Waterfall picnic site	103,000	103,000
Historical monuments and statues	190,500	190,500
Mayoral gold chain	195,000	195,000
Painting	60,000	60,000
	548,500	**548,500**

Figures in Rand	2017	2016

11. Heritage assets (continued)

Reconciliation of heritage assets 2016

	Opening balance	Total
Waterfall picnic site	103,000	103,000
Historical monuments and statues	190,500	190,500
Mayoral gold chain	195,000	195,000
Other (specify class)	60,000	60,000
	548,500	**548,500**

Pledged as security

No carrying value of heritage assets were pledged as security

12. Payables from exchange transactions

	2017	2016
Trade payables	5,305,224	14,610,869
Payments received in advance	968,695	1,193,084
Retentions	17,721,662	27,325,713
Accrued leave pay	8,598,350	7,535,956
Accrued annual bonus	1,323,758	1,300,311
Other payables	302,175	253,213
Unkown deposits	1,473,418	2,255,038
	35,693,282	**54,474,184**

13. Consumer deposits

	2017	2016
Electricity	363,726	351,303

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

No interest is paid on consumer deposits.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Integrated National Electrification Grant (INEP)	643,677	-

Movement during the year

	2017	2016
Balance at the beginning of the year	-	24,289,710
Additions during the year	65,191,000	83,496,000
Income recognition during the year	(64,547,323)	(93,253,710)
	-	(14,532,000)
	643,677	**-**

15. Employee benefit obligations

Defined benefit plans

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

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

Defined benefit obligation - Post retirement medical aid plan	9,200,742	8,284,614
Defined benefit odligation - Long service awards	3,015,094	2,933,023
	12,215,836	**11,217,637**

15.1 Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arragement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2017.

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

Present value of the defined benefit obligation unfunded	9,200,742	8,285,000

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

Opening balance	8,285,000	7,644,119
Benefits paid	(94,216)	(88,000)
Net expenses recognised in the statement of financial performance	1,009,958	728,881
	9,200,742	**8,285,000**

Net expense recognised in the statement of financial performance in general expenses

Current service cost	609,347	1,031,595
Interest cost	846,216	759,394
Acturial (gains) / losses	(445,605)	(1,062,108)
	1,009,958	**728,881**

15. Employee benefit obligations (continued)

Calculation of actuarial gains and losses		
Actuarial(gains) losses - Obligation	(445,605)	(1,062,108)

Key assumptions used		
Discounted rates used	10.09 %	9.84 %
Medical aid contribution inflation	8.35 %	8.81 %
Avarage retirement age	63	63

The basis on which the medical aid inflation rate has been determined is as follows:

The medical aid inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period .

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

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

GRAP 25 defines the determination of the Discount rate assumption to be as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits payments, an entity uses current markets rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve"

We used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.Previously only one discount rate was used to value all the liabilities.

Other assumptions

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

	One percentage point decrease	One percentage point Increase
Effect on the aggregate of the service cost and interest cost	1,628,000	1,835,000
Effect on defined benefit obligation	-	8,367,850
	1,628,000	**10,202,850**

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	9,200,742	8,285,000	7,644,119	5,768,145	4,668,968
Surplus (deficit)	(9,200,742)	(8,285,000)	(7,644,119)	(5,768,145)	(4,668,968)

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

15.2 Long service awards obligation

Long service benefits are awarded in the form of a percentage of salary and a number of leave days once an employee has completed a certain number of years in service.

An actuarial valuation of the obligation has been performed by Arch Actuarial Consulting on all 205 employees that are entitled to long service awards as at 30 June 2017 (2016: 203). As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

	2017	2016
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3,015,427	2,933,023

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

	2017	2016
Opening balance	2,933,023	2,746,341
Benefits paid	(227,174)	(234,411)
Net expense recognised in the statement of financial performance	309,578	421,093
	3,015,427	**2,933,023**

Net expense recognised in the statement of financial performance in general expenses

	2017	2016
Current service cost	346,980	341,412
Interest cost	296,089	256,648
Actuarial (gains) losses	(333,491)	(176,967)
	309,578	**421,093**

Calculation of actuarial gains and losses

	2017	2016
Actuarial (gains) losses – Obligation	(333,491)	(176,967)

Key assumptions used

Assumptions used at the reporting date:

	2017	2016
Discount rates used	8.49 %	8.57 %
Expected increase in salaries	6.31 %	7.22 %
Average retirement age	63	63

The basis on which the normal salary inflation rate has been determined is as follow:

We have derived the underlying future rate of cunsumer price price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus. The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.36%. The next salary increase was assumed to take place on 1 July 2018.

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

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:"The discount rate that reflects the time value of money is best approximated by reference to market yeilds at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturityof all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yeild curve."

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

We use the nominal and real zero curves as at **30 June 201**7 supplied by the JSE to determinr our discounted rates and CPI assumptions at each relevant time period. For example a liability which pays out in 1 year will be discounted at a diffent rate than a liability which pays out in 30 years.

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees. A one percentage point change in assumed normal salary inflation rate would have the following effects:

	One percentage point decrease	**One percentage point increase**
Effect on the aggregate of the service cost and interest cost	641,000	756,000
Effect on defined benefit obligation	-	2,962,353

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

	2017	2016	2015	2014	2013
Defined benefit obligation	3,015,427	2,933,023	2,746,341	2,388,485	1,975,489
Surplus (deficit)	(3,015,427)	(2,933,023)	(2,746,341)	(2,388,485)	(1,975,489)

Defined contribution plan

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

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

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as a defined contribution plans:

- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employees Pension Fund

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Utilised during the year	Total
Landfill rehabilitation	2,416,800	(2,119,999)	296,801

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Landfill rehabilitation	2,236,803	179,997	2,416,800

Figures in Rand	2017	2016

16. Provisions (continued)

Landfill rehabilitation provision

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

The Landfil is now being re-habilitated

17. Service charges

Sale of electricity	9,782,575	9,304,171
Refuse removal	4,053,445	3,693,210
	13,836,020	**12,997,381**

18. Investment revenue

Interest revenue		
Bank	1,740,541	1,993,515
Interest received - Investments	4,145,383	3,925,076
	5,885,924	**5,918,591**

19. Property rates

Rates received

Residential	4,332,339	4,463,669
Commercial	3,940,029	4,075,624
Government	512,281	527,810
Municipal	304,432	313,661
Other	2,756,775	2,840,344
	11,845,856	**12,221,108**

Valuations

Residential	873,029,200	873,029,200
Commercial	150,118,000	150,118,000
Government	103,232,000	103,232,000
Municipal	61,347,450	61,347,450
Other	555,530,140	555,530,140
	1,743,256,790	**1,743,256,790**

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

Rates are levied on a monthly basis and interest is levied on outstanding amounts.

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

20. Government grants and subsidies

Operating grants		
Equitable share	206,299,001	208,866,000
Finance Management Grant	1,810,000	1,675,000
Municipal Systems Improvement Grant	-	930,000
Extended Public Works Programme	1,405,000	1,489,000
	209,514,001	212,960,000
Capital grants		
Municipal Infrastructure Grant	54,976,000	89,159,710
Integrated National Electrification Grant	6,356,323	-
	61,332,323	89,159,710
	270,846,324	**302,119,710**

Equitable Share

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

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	308,195
Current-year receipts	1,810,000	1,675,000
Conditions met - transferred to revenue	(1,810,000)	(1,675,000)
Other	-	(308,195)
Conditions still to be met - transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 14).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	23,896,514
Current-year receipts	54,976,000	79,402,000
Conditions met - transferred to revenue	(54,976,000)	(89,159,709)
Other	-	(14,138,805)
Conditions still to be met - transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 14).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. In 2016/17 financial year the conditions of the grant were partially met and resulting on unspent grant. In 2015/2016 financial year all the conditions of the grant were met. .

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	85,000
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
Other	-	(85,000)
	-	**-**

The grant was used to fund the unbundling of fixed assets, supplementary valuation roll and the Disaster Recovery Plan in 2015/16. No MSIG grant was received in current year

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

Extended Public Works Grant

Current-year receipts	1,405,000	1,489,000
Conditions met - transferred to revenue	(1,405,000)	(1,489,000)
	-	-

Intergrated National Electrification Grant

Current-year receipts	7,000,000	-
Conditions met - transferred to revenue	(6,356,323)	-
	643,677	**-**

Conditions still to be met - remain liabilities (see note 14).

21. Revenue

Service charges	13,836,020	12,997,381
Rental of facilities and equipment	142,097	90,519
Interest received - outstanding receivables	9,162,216	7,752,685
Agency services	1,975,516	1,813,180
Licences and permits	4,261,961	2,901,591
Other income	1,239,860	1,224,136
Interest received - investment	5,885,924	5,918,591
Property rates	11,845,856	12,221,108
Government grants and subsidies	270,846,324	302,119,710
Traffic fines	1,373,405	1,932,180
Other transfer revenue 1	-	5,523,873
	320,569,179	**354,494,954**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	13,836,020	12,997,381
Rental of facilities and equipment	142,097	90,519
Interest received - outstanding receivables	9,162,216	7,752,685
Agency services	1,975,516	1,813,180
Licences and permits	4,261,961	2,901,591
Other income	1,239,860	1,224,136
Interest received - investment	5,885,924	5,918,591
	36,503,594	**32,698,083**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11,845,856	12,221,108
Transfer revenue		
Government grants and subsidies	270,846,324	302,119,710
Traffic fines	1,373,405	1,932,180
Other transfer revenue 1	-	5,523,873
	284,065,585	**321,796,871**

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

22. Employee related costs

Salaries and wages	42,332,560	40,648,962
Annual bonus	3,092,283	3,001,520
Medical aid benefits	3,230,794	2,774,478
UIF	400,323	374,751
Leave pay provision charge	1,389,476	1,073,848
Pension fund and other fund contributions	9,340,584	8,848,455
Overtime payments	4,619,370	4,264,517
Travel and car allowance	3,309,934	3,049,722
Housing benefits and allowances	661,691	584,944
	68,377,015	**64,621,197**

Remuneration of Municipal Manager

Annual Remuneration	892,134	848,224
Car Allowance	204,000	204,000
Contributions to UIF, Medical and Pension Funds	244,800	214,800
	1,340,934	**1,267,024**

Remuneration of Chief Finance Officer

Annual Remuneration	600,480	551,920
Car Allowance	252,000	252,000
Contributions to UIF, Medical and Pension Funds	72,000	60,000
	924,480	**863,920**

Remuneration of Director Infrastructure Planning and Development

Annual Remuneration	-	126,312
Car Allowance	-	36,000
Contributions to UIF, Medical and Pension Funds	-	5,000
Other	-	24,355
Acting Allowance	14,587	-
	14,587	**191,667**

Remuneration of Director Corporate Services

Annual Remuneration	630,200	622,667
Car Allowance	154,000	168,000
Contributions to UIF, Medical and Pension Funds	33,000	36,000
Other	-	5,333
Acting Allowance	6,314	-
	823,514	**832,000**

Remuneration of Director Community Services

Annual Remuneration	714,327	653,738
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	168,000	166,400
	1,062,327	**1,000,138**

Figures in Rand	2017	2016

23. Remuneration of councillors

Mayor's salary	573,436	568,509
Executive committee salary	1,425,488	1,413,756
Speaker's salary	457,693	454,808
Councillors' salary	10,792,179	10,465,654
Travel allowance	4,286,186	3,648,469
Cell phone allowance	1,361,492	1,177,303
	18,896,474	**17,728,499**

Remuneration per councillor

Refer to note 36 for detail of remuneration per councillor.

24. Depreciation and amortisation

Property, plant and equipment	30,986,027	27,361,428
Investment property	8,991	9,016
Intangible assets	111,410	216,909
	31,106,428	**27,587,353**

25. Bulk purchases

Electricity	13,029,942	8,728,768

26. Contracted services

Meter reading services	50,077	328,945
Security services	6,389,496	5,909,836
Operating leases	307,381	232,048
Specialist services	72,839	114,430
Other contractors	4,975,100	1,212,939
Refuse removal	1,609,327	1,474,738
	13,404,220	**9,272,936**

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

27. General expenses

Advertising	909,986	1,070,177
Auditor's remuneration	3,344,965	3,659,634
Bank charges	205,355	255,503
Consulting and professional fees	3,267,625	4,189,114
Entertainment	16,490	19,692
Insurance	1,427,033	1,168,036
Conferences and seminars	270,831	332,932
Lease rentals on operating lease	5,999	-
Motor vehicle expenses	91,709	130,886
Stores and material	813,173	790,734
Fuel and oil	3,114,333	3,371,612
Postage and courier	35,279	73,398
Printing and stationery	1,220,822	1,188,823
SAIMSA games	-	912,402
Youth empowerment project	52,215	47,040
Youth desk development	147,227	261,937
Subscriptions and membership fees	2,550,853	1,737,090
Telephone and fax	1,548,036	1,445,245
Training	412,210	211,748
Travel - local	6,227,813	5,380,250
Electricity	2,617,325	1,459,573
Tourism development	74,917	-
Bursary scheme	2,502,056	4,613,300
Capacity building	279,534	63,522
Catering	695,425	428,360
Interns	2,774,347	2,399,850
Free basic services and rebates	3,821,625	3,720,752
Gender desk activities	4,513,200	3,408,200
Public paticipation	3,262,368	1,978,150
Workshops and meetings	4,428,718	4,190,054
Other expenses	6,298,351	7,291,418
	56,929,820	**55,799,432**

Included on "Other expenses" is skills levies, EPWP expenses e.t.c

28. Auditor's remuneration

Fees	3,344,965	3,659,634

Notes to the Audited Annual Financial Statements

Figures in Rand	2017	2016

29. Cash generated from operations

Surplus	90,079,183	155,489,141
Adjustments for:		
Depreciation and amortisation	31,106,428	27,587,353
Gain on sale of assets and liabilities	98,007	-
Debt impairment	24,545,889	9,513,611
Movements in retirement benefit assets and liabilities	998,199	827,177
Movements in provisions	(2,119,999)	179,997
Fair value adjustment	-	(7,302,279)
Changes in working capital:		
Inventories	(5,699,055)	2,356,415
Receivables from exchange transactions	(16,697,944)	(18,580,353)
Consumer debtors	(20,278,317)	(15,098,488)
Other receivables from non-exchange transactions	(926,582)	(843,751)
Payables from exchange transactions	(18,629,152)	24,090,528
VAT	7,590,511	(13,227,040)
Unspent conditional grants and receipts	643,677	(24,289,710)
Consumer deposits	12,423	6,300
	90,723,268	**140,708,901**

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	200,218,446	142,960,620
Total capital commitments		
Already contracted for but not provided for	200,218,446	142,960,620

This committed expenditure relates to capital projects and contracted services and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	401,817	62,256
- in second to fifth year inclusive	778,055	-
	1,179,872	**62,256**

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

Figures in Rand	2017	2016

31. Contingencies

Contigent Liabilities

Ramalepe vs Greater Letaba Municipality
The Plaintiff is suing the municipality on allegations that the municipality has sold one site initially allocated to him to a second person. R144 000 (2016:R155 000)

Merifon (Pty) Ltd vs Greater Letaba Municipality
The Plantiff is suing the municipality for a specific performance forcing the municipality to commit to the initial agreement of purchasing the plantiff's land R52 000 000 (2016: R52 000 000.

Hennox 60 CC vs Greater Letaba Municipality
The municipality is sued for an amount of R3 635 593 (2016: R3 635 593 for damages suffered as a result of defective storm water pipes running through the plaintiff's property which has flooded the plaintiff's house.

All of Us Trading CC vs Greater Letaba Municipality
The plaintiff is suing the municipality for an amount of R0 (2016: R128 500 for services rendered as well as the costs for hiring the equipment

Motlatso Samuel Sekgota vs Greater Letaba Municipality
It is alleged that due to the negligence construction of the storm water pipes by the municipality, the plaintiff suffered damages as a result of water overflowing his house and he is claiming R95 190 (2016: R95 190) from the municipality

SB Consulting vs Greater Letaba Muncipality
The plaintiff was rendering the service for the municipality and he is suing the municipality on allegations that the oustanding amount was paid to a different individual R509 990 (2016: R509 990)

Masedi Petros Monyela vs Greater Letaba Municipality
The plantiff is suing the municipality for the damages suffered as a result of an unroadworthy road which allegedly led to his involvement in an accident. He is suing for general damages as well as loss of income R3 500 000 (2016: R0).

Sasamela Trading Business vs Greater Letaba Municipality
The plaintiff is suing the municipality for alleged unlawful termination of contract. The municipality alleges that the contractor breached the contract after he abandoned the site and failed to return to site after several instructions to do so R1 960 812 (2016: R0).

I.M & K.C Molokwane vs Greater Letaba Municipality
The plaintiffs are suing the municipality for damages sufferd as a result of rain flooding their house R104 693.

Department of Water and Sanitation vs Greater Letaba Municipality
The municipality is being sued for alleged water charges due to the Plaintiff R2 855 766.

Contigent Assets

The municipality has a contigent asset related to flexible investment with Momentum as a result of money market ABIL Retention Fund R93 555 (2016 : R83 394)

32. Unauthorised expenditure

Opening balance	69,455,292	54,635,707
Unauthorised expenditure in the current year	25,670,561	14,819,585
Closing balance	**95,125,853**	**69,455,292**

Reconciliation of budgeted vs actual expenditure - Per income statement		
Actual Expenditure	230,489,996	199,005,813
Approved Operating budget	(204,819,435)	(184,186,228)
Over / (Under) spending of budget	25,670,561	14,819,585
Total net effect of overspending of budget	**25,670,561**	**14,819,585**

The overall budget for expenditure was overspend 2017:

The unauthorised expenditure during 2017 was as a results of overspending of R25 670 561 on Executive and Council related to non-cash item for provision for bad debts and depreciation, and Infrastructure Development and Planning Vote.

These over expenditure amounts are not recoverable and must still be investigated and condoned by Council in terms of Section 32 of the MFMA.

33. Fruitless and wasteful expenditure

Opening balance	323,770	21,668
Interest paid to service providers	17,808	99,460
Add: Stock losses due to theft and shortages	129,847	202,642
Fruitless and wasteful expenditure awaiting condonement	**471,425**	**323,770**

Interest accrued on late payments
Interest and penalties relates to late payments to suppliers and SARS. The interest would have been avoided had reasonable care been exercised. The total value of the interest was R26 569 (2016: R99 460)
Interest on late payment of Eskom account: R14 533 (2016: R29 124)
Interest on late payment of Telkom account: R1 274.99 (2016: R1 184)
Interest on late payment to Auditor General of South Africa: R7 326.26 (2016: R0)
Interest and penalties on SARS : R0 (2016: R69 153)
Interest on others suppliers R3435.21 (2016: R0)

34. Irregular expenditure

Opening balance	180,356,253	57,742,541
Add: Irregular Expenditure - current year	25,041,311	122,613,712
	205,397,564	**180,356,253**

Analysis of expenditure awaiting condonation per age classification

Current year	25,041,311	122,613,712
Prior years	180,356,253	57,742,541
	205,397,564	**180,356,253**

The Irregular expenditure was caused by non compliance with the SCM policy and regulations. The matters above have been submitted to Council and the Council referred them to MPAC for investigation.

35. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

None of the Councillors had arrear accounts outstanding for more than 30 days at 30 June 2016

The following Councillors had arrear accounts outstanding for more than 30 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Maake MR	1,268	1,760	3,028
Cllr Malatji E	2,511	20,302	22,813
Cllr Modiba ND	1,115	20,534	21,649
Cllr Malatji SS	1,338	19,996	21,334
	6,232	**62,592**	**68,824**

36. Related parties

Relationships	
Mopani District Municipality	R52 750 608 (2016: R35 643 638)
Members of key management	TG Mashaba (Municipal Manager)
	MF Mankgabe (Chief Financial Officer)
	MB Letsoalo (Director Corporate Services)
	DI Mogale (Director Community Services)
	Coucillors - Refer to list of Councillors below

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational dicisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

Remuneration per councillor	Salary	Travel allowance	Cellphone allowance	Total package
30 June 2017	-	-	-	-
Hon Cllr GH Modjadji (Former Mayor)	63,293	21,098	2,323	86,714
Hon Cllr MP Matlou (Mayor)	510,142	170,047	20,459	700,648
Hon Cllr MM Nkwana	48,816	16,272	2,142	67,230
Hon Cllr MD Makhananisa	408,877	136,038	20,620	565,535
Cllr R Makhananisa	19,841	6,613	2,538	28,992
Cllr MR Mosila	15,080	5,027	1,336	21,443
Cllr DI Matloga	26,200	254	2,538	28,992
Cllr MD Makhananisa	19,078	6,359	2,142	27,579
Cllr FN Maake	19,841	6,613	2,538	28,992
Cllr MF Mokwakwaila	19,841	6,613	2,538	28,992
Cllr MG Selowa	34,158	11,386	3,478	49,022
Cllr SP Mabale	19,841	6,613	2,538	28,992
Cllr MF Kgamedi	19,841	6,613	2,538	28,992
Cllr ME Mafona	25,462	8,487	2,538	36,487
Cllr MP Masela	34,157	11,386	3,478	49,021
Cllr MA Makgeru	19,840	6,613	2,538	28,991
Cllr M Mathedimosa	180,224	59,361	22,763	262,348
Cllr MF Moruthoane	26,455	-	2,538	28,993
Cllr MA Lebepe	19,841	6,613	2,538	28,992
Cllr MG Ntuli	19,841	6,613	2,538	28,992
Cllr SS Malatji	220,352	73,451	22,763	316,566
Cllr MI Manyama	35,451	11,817	3,478	50,746
Cllr NT Machete	26,455	-	2,538	28,993
Cllr MSS Sebelemetja	19,841	6,613	2,538	28,992
Cllr MJ Nakana	19,841	6,613	2,538	28,992
Cllr BE Ngobeni	220,353	73,451	22,763	316,567
Cllr MF Makhubela	25,463	8,488	2,538	36,489
Cllr ME Lebepe	25,463	8,488	2,538	36,489
Cllr MA Lebepe	227,459	75,819	22,763	326,041
Cllr TD Mokhari	26,455	-	2,538	28,993
Cllr MF Manyama	180,224	59,361	22,763	262,348
Cllr DL Selowa	19,841	6,614	2,538	28,993
Cllr M Serekele	19,841	6,614	2,538	28,993
Cllr TE Makgatho	25,463	8,488	2,538	36,489
Cllr PP Ralephatane	140,840	46,949	18,138	205,927
Cllr MM Nkwana	15,082	1,337	5,029	21,448

Notes to the Audited Annual Financial Statements

36. Related parties (continued)

Remuneration per councillor
2017 (continued)

Cllr MV Makgwatlhela	19,841	6,613	2,538	28,992
Cllr MV Mashapa	26,455	-	2,538	28,993
Cllr TJ Senyolo	180,224	59,361	22,763	262,348
Cllr AM Mantlhaka	25,463	8,488	2,538	36,489
Cllr MM Mankgero	220,352	73,451	22,763	316,566
Cllr LR Mashapa	20,096	6,359	2,538	28,993
Cllr F Morwatshehla	33,951	-	2,538	36,489
Cllr MJ Kgatla	19,841	6,614	2,538	28,993
Cllr GI Mkansi	33,951	-	2,538	36,489
Cllr N Selowa	220,352	73,451	22,763	316,566
Cllr RE Sekhonoane	19,841	6,614	2,538	28,993
Cllr ME Machete	19,841	6,614	2,538	28,993
Cllr ZT Maluleke	237,443	-	22,763	260,206
Cllr MJ Masutha	19,841	6,614	2,538	28,993
Cllr ME Mathaba	159,918	53,306	20,459	233,683
Cllr V Nkuna	159,918	53,306	20,459	233,683
Cllr MR Maake	162,060	53,306	20,459	235,825
Cllr MR Motsinoni	159,918	53,306	20,459	233,683
Cllr CM Rasetsoke	159,918	53,306	20,459	233,683
Cllr L Mphenemene	159,918	53,306	20,459	233,683
Cllr MP Makomene	159,918	53,306	20,459	233,683
Cllr MM Selomo	159,918	53,306	20,459	233,683
Cllr M Ramoba	159,918	53,306	20,459	233,683
Cllr ME Ralefatane	159,918	53,306	20,459	233,683
Cllr PD Morwatshehla	201,996	67,332	20,459	289,787
Cllr MP Monaiwa	159,918	53,306	20,459	233,683
Cllr MB Maenetsa	162,060	53,306	20,459	235,825
Cllr MV Rampedi	178,958	34,266	20,459	233,683
Cllr PC Pohl	159,918	53,306	20,459	233,683
Cllr KB Monyela	159,918	53,306	20,459	233,683
Cllr MS Kgatla	159,918	53,306	20,459	233,683
Cllr PJ Mohale	159,918	53,306	20,459	233,683
Cllr MF Hlapane	159,918	53,306	20,459	233,683
Cllr MV Mangoro	162,060	53,306	20,459	235,825
Cllr MP Ngobeni	201,996	67,332	20,459	289,787
Cllr SB Rampyapedi	159,918	53,306	20,459	233,683
Cllr KE Ramaano	201,996	67,332	20,459	289,787
Cllr DG Rabothata	159,918	53,306	20,459	233,683
Cllr NF Lebeko	159,918	53,306	20,459	233,683
Cllr NL Seshoka	159,918	53,306	20,459	233,683
Cllr MEC Ndobela	159,918	53,306	20,459	233,683
Cllr ME Ramabela	159,918	53,306	20,459	233,683
Cllr RG Baloyi	159,918	53,306	20,459	233,683
Cllr R Ratlhaha	159,918	53,306	20,459	233,683
Cllr WP selema	159,918	53,306	20,459	233,683
Cllr TJ Kgapane	201,996	67,332	20,459	289,787
Cllr S Selamolela	159,918	53,306	20,459	233,683
Cllr SJ Hlungwani	159,918	53,306	20,459	233,683
Cllr ME Masedi	159,918	53,306	20,459	233,683
Cllr SL Mohale	159,918	53,306	20,459	233,683
Cllr GH Modjadji	162,631	53,306	20,439	236,376
Cllr TJ Rababalela	235,626	78,623	22,763	337,012
Cllr MP Masela	197,113	65,706	19,285	282,104
Cllr MG Selowa	197,118	65,706	19,285	282,109
Cllr NE Phatudi	26,233	8,744	2,538	37,515
Cllr MP Satekge	26,233	8,744	2,538	37,515
Cllr MC Seala	26,233	8,744	2,538	37,515
Cllr NN Baloyi	26,233	8,744	2,538	37,515

Notes to the Audited Annual Financial Statements

36. Related parties (continued)

Cllr Moroatshehla	26,233	8,744	2,538	37,515
Cllr D Raphokwane	211,435	70,478	20,459	302,372
Cllr MM Mabeba	211,435	70,478	20,459	302,372
Cllr ND Modiba	15,080	5,027	1,336	21,443
Cllr M Rasetsoke	211,435	70,478	20,459	302,372
Cllr MR Mosila	355,318	118,489	19,124	492,931
Cllr MP Malola	47,471	15,823	2,538	65,832
Cllr ND Modiba	355,318	118,439	19,124	492,881
Cllr NN Nkwana	355,318	118,439	19,284	493,041
Cllr MJ Baloyi	46,078	15,359	2,538	63,975
Cllr MI Manyama	147,499	95,706	17,390	260,595
Cllr NM Kgatla	47,471	15,824	2,538	65,833
Cllr TC Shai	47,471	15,824	2,538	65,833
Cllr PJ Mampeule	426,382	142,127	22,763	591,272
	13,248,775	**4,282,533**	**1,365,166**	**18,896,474**

Remuneration per councillor	Salary	Travel allowance	Cell phone allowance	Total
30 June 2016				
Hon Cllr GH Modjadji (Mayor)	538,871	179,624	20,868	739,363
Hon Cllr MM Nkwana(Speaker)	431,094	143,698	20,868	595,660
Cllr FN Maake	161,661	53,887	20,868	236,416
Cllr PJ Mampeule	244,866	81,622	13,258	339,746
Cllr MJ Masutha	161,661	53,887	20,868	236,416
Cllr RJ Makhananisa	161,661	53,886	20,868	236,415
Cllr MD Makhananisa	161,661	53,887	20,868	236,416
Cllr MP Masela	161,661	53,887	20,868	236,416
Cllr TC Shai	404,152	134,717	20,868	559,737
Cllr MC Seale	222,283	74,094	20,868	317,245
Cllr NN Baloi	222,283	74,094	20,868	317,245
Cllr MF Moroatshehla	222,283	74,094	20,868	317,245
Cllr MP Malola	404,152	134,717	20,868	559,737
Cllr DI Matloga	215,548	-	20,868	236,416
Cllr MF Mokwalakwala	161,661	53,887	20,868	236,416
Cllr MG Selowa	161,661	53,887	20,868	236,416
Cllr SP Mabale	161,661	53,886	20,868	236,415
Cllr MF Kgamedi	161,661	53,887	20,868	236,416
Cllr ME Mafona	169,295	56,432	20,868	246,595
Cllr MJ Baloyi	271,064	93,212	20,868	385,144
Cllr MA Makgeru	161,661	53,887	20,868	236,416
Cllr NE Phatudi	222,283	74,094	20,868	317,245
Cllr M Mathedimosa	161,661	53,887	20,868	236,416
Cllr MF Moruthoane	215,548	-	20,868	236,416
Cllr MA Lebepe	161,661	53,887	20,868	236,416
Cllr MG Ntuli	161,661	53,887	20,868	236,416
Cllr SS Malatji	161,661	53,887	20,868	236,416
Cllr MI Manyama	169,295	56,432	20,868	246,595
Cllr NT Machethe	215,548	-	20,868	236,416
Cllr MSS Sebelemetja	161,661	53,887	20,868	236,416
Cllr MP Satekge	222,283	74,094	20,868	317,245
Cllr RR Ramalatso	58,763	21,182	8,695	88,640
Cllr MJ Nakana	161,661	53,887	20,868	236,416
Cllr BE Ngobeni	161,661	53,887	20,868	236,416
Cllr MF Makhubela	169,295	56,432	20,868	246,595
Cllr NM Kgatla	404,152	134,717	20,868	559,737
Cllr ME Lebepe	169,295	56,432	20,868	246,595
Cllr MD Rabapana	161,661	53,887	20,868	236,416
Cllr MA Lebepe	169,295	56,432	20,868	246,595
Cllr TD Mokhari	215,548	-	20,868	236,416
Cllr MF Manyama	161,661	53,887	20,868	236,416
Cllr DL Selowa	161,661	53,887	20,868	236,416

36. Related parties (continued)

Cllr M Serekele	161,661	53,887	20,868	236,416
Cllr TE Makgatho	169,295	56,432	20,868	246,595
Cllr MV Makgwatlhela	161,661	53,887	20,868	236,416
Cllr TJ Rababalela	222,283	74,094	20,868	317,245
Cllr MV Mashapa	215,548	-	20,868	236,416
Cllr TJ Senyolo	161,661	53,887	20,868	236,416
Cllr AM Mantlhakga	169,295	56,432	20,868	246,595
Cllr MM Mankgeru	161,661	53,887	20,868	236,416
Cllr LR Mashapa	161,661	53,887	20,868	236,416
Cllr F Morwatshehla	225,726	-	20,868	246,594
Cllr MJ Kgatla	161,661	53,886	20,868	236,415
Cllr GJ Mkansi	225,726	-	20,868	246,594
Cllr N Selowa	161,661	53,887	20,868	236,416
Cllr RE Sekhonoane	165,897	49,651	20,868	236,416
Cllr ME Machete	161,661	53,887	20,868	236,416
Cllr ZT Maluleke	207,075	8,471	20,868	236,414
	11,704,549	**3,330,032**	**1,190,561**	**16,225,142**

Refer to note 22 for remuneration detail of Section 57 managers.

37. Prior period error

Property Plant and Equipment
Property, Plant and Equipment as at 30 June 2016 was misstated by R1 276 664. The financial statements has been corrected in current year by restating the opening balance and fair value adjustment.

Post employment provison - Long service award
The post employment benefit - Long Service ward provision as at 30 June 2016 was understated by R214 658 related to water transaction. The financial statements has been corrected in current year by restating the opening balance.

Receivables from non-exchange
The other receivables as at 30 June 2016 was overstated by R42 137. The financial statements has been corrected in current year by restating the opening balance

Inventory
Inventory as at 30 June 2016 was overstated by R2 152 000. The financial statements has been corrected in current year by restating the opening balances

VAT receivable
VAT receivable as at 30 June 2016 was overstated by R141 901. The financial statements has been corrected in current year by restating the opening balances

Payable from exchange transaction
Payables from exhange transactions as at 30 June 2016 was overstated by R558 743. The financial statements have been corrected in current year by reinstating the opening balance.

Commitments
Commitment dislosure as at 30 June 2016 was understated by R4 342 425 due to casting error. The financial statements have been corrected in current year by reinstating the opening balance.

Irregular Expenditure
Irregular expediture disclosure as at 30 June 2016 was misstated by R27 578 536. The financial statements have been corrected in current year by reinstating the opening balance.

The correction of the errors results in adjustments as follows:

37. Prior period error (continued)

Statement of financial position	As previously reported	Correction of error	Re - Classification	2016 Restated
Property, plant and equipment	612,369,408	(475,294)	1,751,958	613,646,072
Inventory	2,888,890	-	(2,152,000)	736,890
Vat receivable	17,908,067	-	(141,901)	17,766,166
Receivables from exchange transactions	39,516,936	(42,137)	-	39,474,799
Payables from exchange transactions	(55,032,927)	16,800	541,943	(54,474,184)
Provision	(2,416,800)	(214,658)	-	(2,631,458)
Accumulated surplus	(682,220,418)	715,289	-	(681,505,129)
	(66,986,844)	**-**	**-**	**(66,986,844)**

38. 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 audited annual financial statements. The total deviations for the year under review amounted to R2 533 964.32 (2016: R54 657 603)

39. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	56,172,743	56,172,743
Other receivables from non-exchange transactions	6,396,801	6,396,801
Consumer debtors	6,883,323	6,883,323
Cash and cash equivalents	55,932,345	55,932,345
	125,385,212	**125,385,212**

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	35,693,282	35,693,282

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	39,474,799	39,474,799
Other receivables from non-exchange transactions	5,470,219	5,470,219
Consumer debtors	11,150,895	11,150,895
Cash and cash equivalents	60,714,361	60,714,361
	116,810,274	**116,810,274**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	54,474,184	54,474,184

40. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

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.

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	35,693,282	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	54,474,184	-	-	-

40. Risk management (continued)

Credit risk

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.

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

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

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

Financial instrument	2017	2016
Other receivables from exchange transactions	56,172,743	39,474,799
Other receivables from non exhange transaction	6,396,801	5,470,219
Cash and cash equivalents	55,932,345	60,714,361
Consumer debtors	6,883,323	11,150,895

Market risk

Interest rate risk

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.

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.

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.

Notes to the Audited Annual Financial Statements

Figures in Rand

41. Budget information

Explanation of variances between approved and final amounts

The reason for the variances between the approved budget and final budget are explained below. The adjustments made between the approved budget and final budget include virements that were made after the approval of the final adjustment budget. Virements are transfers from one operating cost element or capital project to another, and are made in accordance with the approved virement policy of the municipality.

Explanation of material variances: Final budget and actual amounts
.

Statement of financial performance

Revenue

Property rates
There is a negative variance of R863 043 , this means less revenue was realised than estimated.

Licences and permits
There is a negative variance. The was due to using only one DLTC offices in Modjadjiskloof with Ga-Kgapane DLTC closed during the year.

Rental of facilities and equipment
The municipality had projected R25 0057. The negative variance is at R107 960.The municpality is unable to rent out machinery due to prioritisation of service delivery. The Kgapane stadium was also undergoing renovation.

Interest: Outstanding receivables
There is a positive variance of R1384 133. Total interest received is more than the actual projection, this result from increased debtors due to non payment of outstanding accounts.

Interest: External investments
The variance has a positive variance. This resulted due higher interest rate on investment.

Traffic fines
Traffic fines projections R376 099. The actual revenue on traffic fines R1 373 405. more fines were issued than projected.This means there is a high rate of offenders on traffic legislation of our roads .

Service charges
Revenue from service charges consist of electricity sales and refuse removal. The negative variance is influenced by electricty consumption which relate to the purchases amounting. The variance is in relation to the decrease in sale of electricty due to distribution losses.

Expenditure

Employee related costs
There is a positive variance. This is due to posts that were not filled in the financial year.

Depreciation and amortisation
This depreciation projection is informed by the projects which in the budget for 2015/16 finacial year the projects are still in progress and they could not be depreciated hence the variance

Debt impairment
The debtors were impaired using the past historically data. The estimated impairment was too low.The municiapality was optimastic that the debts will be settled.

41. Budget information (continued)

Contracted services
The actual expenditure is above the budget. The variance was due to addtional securities at sport complexes.

Repairs and maitenance
No service provider appointed during the year under review. There was a decline of appointment from service provider for electricity and road maitenance

General expenses
General expenses has a positive variance is below the budgeted. It shows that spending was reduced due to cost containment.

Capital Expenditure:
Capital expenditure variance was due to delay on appointment of service providers for own funded projects.

42. Material losses

Electricity distribution losses

kWh units purchased from Eskom	(14,478,891)	(10,013,218)
kWh units sold per billing system statistics	7,492,794	7,765,608
Distribution losses	**(6,986,097)**	**(2,247,610)**
	51.75 %	21.46 %

The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses.

43. VAT receivable

VAT	10,175,655	17,766,166

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

44. Changes in accounting policy

During the year, the municipality changed its accounting policy on recognition of solid waste and plastic chair. All the items of solid waste and plastic chairs with a cost below R2 000 are expensed

The aggregate effect of the changes in accounting policy on the audited annual financial statements for the year ended 30 June 2016 is as follows:

Statement of financial position

Property, plant and equipment		
Property, Plant and equipment	-	(98,702)
Depreciation	-	45,892
	-	**(52,810)**

45. Debt impairment

Debt impairment - consumer debtors	23,386,616	7,961,196
Debt impairment - traffic fines and other	1,159,273	1,552,415
	24,545,889	**9,513,611**

Notes to the Audited Annual Financial Statements

46. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surpluse of R 771,584,314 and that the municipality's total assets exceed its liabilities by R 771,584,314.

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

The municipality is dependent on the grants allocated and provided by National Treasury to be able to trade as a going concern. Management is of the opinion that Government will continue to subsidise the municipality through grants to fund operating and capital expenditure.