Greater Letaba Municipality
Annual Financial Statements
for the year ended 30 June 2018

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 ND Modiba (Finance) Cllr MM Nkwana (Corporate and Shared Services) Cllr MR Mosila (Infrastructure) 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 SM Rasetsoke (Sports, Arts and Culture)

General Information

Councillors	Cllr MV Mangoro Cllr DG Rabothata Cllr SS Malatji 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 MC Rasetsoke
Audit committee	RR Shilenge (Chairperson) JM Mabuza Adv TW Malatjie HG Hlomane TW Sebola SAB Ngobeni
Chief Finance Officer (CFO)	MF Mankgabe
Accounting Officer	Dr KI Sirovha
Registered office	Civic Centre

General Information

	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 Legislations	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 System Act (Act 32 of 2000) Government Municipal Structures Act (Act 117 of 1998)
Level of rounding	Nearest Rand

Index

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

	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	15 - 37
Notes to the Annual Financial Statements	38 - 75

Abbreviations	:
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance Audit and Risk 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)
VAT	Value Added Tax
PAYE	Pay As You Earn
COIDA	Compensation for Occupational Injuries and Diseases Act

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 7 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed by:

Dr KI Sirovha
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.

Net surplus of the municipality is R 96 547 402 (2017: surplus R 90 079 183).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 872 505 737 and that the municipality's total assets exceed its liabilities by R 872 505 737.

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

3. Subsequent events

Adjusting events
On 20 August 2018, before the submission of the financial statemet, the Council aprooved a write-off of Irregular exependiture as investigated by Council amounting R175 064 769. This resulting on adjusting the figures as at 30 June 208

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The 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	Changes
Dr KI Sirovha	Appointed effecive April 2018
D Mhangwana	Acting, Contract ended 31 March 2018
TG Mashaba	Contract ended 31 July 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	11 923 220	6 435 945
Receivables from exchange transactions	4	74 918 907	56 082 258
Receivables from non-exchange transactions	5	3 647 924	3 609 631
VAT receivable	44	22 025 783	10 142 305
Consumer debtors	6	2 127 696	2 967 996
Cash and cash equivalents	7	13 167 011	55 932 345
		127 810 541	**135 170 480**
Non-Current Assets			
Investment property	8	231 065	240 057
Property, plant and equipment	9	814 565 410	689 862 975
Intangible assets	10	185 281	116 697
Heritage assets	11	548 500	548 500
		815 530 256	**690 768 229**
Total Assets		**943 340 797**	**825 938 709**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	56 139 539	35 419 177
Consumer deposits	13	383 334	363 726
Unspent conditional grants and receipts	14	353 553	643 677
		56 876 426	**36 426 580**
Non-Current Liabilities			
Finance lease obligation	45	736 178	1 041 156
Employee benefit obligation	15	12 907 853	12 215 836
Provisions	16	314 609	296 801
		13 958 640	**13 553 793**
Total Liabilities		**70 835 066**	**49 980 373**
Net Assets		**872 505 731**	**775 958 336**
Accumulated surplus		872 505 737	775 958 336

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	13 861 049	13 836 020
Rental of facilities and equipment		169 074	142 097
Interest received - outstanding receivables		10 309 711	9 162 216
Agency services		2 258 635	1 975 516
Licences and permits		10 675 069	4 153 476
Other income		842 363	1 239 860
Gain on assets		203 603	-
Interest received - investment	18	4 605 544	5 885 924
Total revenue from exchange transactions		**42 925 048**	**36 395 109**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	8 599 768	8 736 568
Transfer revenue			
Government grants and subsidies	20	291 695 123	270 846 324
Traffic fines		993 006	1 373 405
Gain on assets		-	107 985
Total revenue from non-exchange transactions		**301 287 897**	**281 064 282**
Total revenue	21	**344 212 945**	**317 459 391**
Expenditure			
Employee related costs	22	74 714 370	68 377 015
Remuneration of councillors	23	20 873 647	18 896 474
Depreciation and amortisation	24	28 680 827	20 063 437
Debt Impairment	46	19 199 927	31 230 387
Bulk purchases	25	14 679 655	13 029 942
Contracted services	26	13 883 089	13 390 736
Loss on disposal of assets and liabilities		-	98 007
General expenses	27	75 634 028	57 920 188
Total expenditure		**247 665 543**	**223 006 186**
Surplus for the year		**96 547 402**	**94 453 205**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016 as restated*	**681 505 131**	**681 505 131**
Changes in net assets		
Surplus for the period	94 453 205	94 453 205
Total changes	94 453 205	94 453 205
Opening balance as previously reported	771 584 313	771 584 313
Adjustments		
Correction of errors (Note 37)	4 374 022	4 374 022
Restated* Balance at 01 July 2017 as restated*	**775 958 335**	**775 958 335**
Changes in net assets		
Surplus for the year	96 547 402	96 547 402
Total changes	96 547 402	96 547 402
Balance at 30 June 2018	**872 505 737**	**872 505 737**

Note(s)

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		9 888 443	11 029 921
Grants		291 405 000	271 490 000
Interest income		4 605 544	5 918 591
Cash received from agency fees, fines & Sundry Income		842 363	6 309 284
		306 741 350	294 747 796
Payments			
Employee costs		(94 896 000)	(84 974 458)
Suppliers		(100 965 964)	(119 050 070)
		(195 861 964)	(204 024 528)
Net cash flows from operating activities	29	**110 879 386**	**90 723 268**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(153 768 699)	(95 600 151)
Purchase of other intangible assets	10	(148 800)	(20 551)
Proceeds from sale of assets		577 756	115 417
Net cash flows from investing activities		**(153 339 743)**	**(95 505 285)**
Cash flows from financing activities			
Finance lease payments		(304 978)	-
Net increase/(decrease) in cash and cash equivalents		**(42 765 335)**	**(4 782 017)**
Cash and cash equivalents at the beginning of the year		55 932 345	60 714 361
Cash and cash equivalents at the end of the year	7	**13 167 010**	**55 932 344**

* See Note 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 42 for explanations of major variances
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	25 958 251	(8 000 000)	**17 958 251**	13 861 049	**(4 097 202)**	
Rental of facilities and equipment	266 061	(81 068)	**184 993**	169 074	**(15 919)**	
Interest received - outstanding receivables	8 275 880	-	**8 275 880**	10 309 711	**2 033 831**	
Income from agency services	2 066 490	-	**2 066 490**	2 258 635	**192 145**	
Licences and permits	6 665 282	1 012 785	**7 678 067**	10 675 069	**2 997 002**	
Other income	9 962 978	27 852 722	**37 815 700**	842 363	**(36 973 337)**	
Receipts from investments	-	-	**-**	203 603	**203 603**	
Interest received- investments	7 712 803	-	**7 712 803**	4 605 544	**(3 107 259)**	
Total revenue from exchange transactions	**60 907 745**	**20 784 439**	**81 692 184**	**42 925 048**	**(38 767 136)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	10 213 986	-	**10 213 986**	8 599 768	**(1 614 218)**	
Transfer revenue						
Government grants	288 199 000	6 000 000	**294 199 000**	291 695 123	**(2 503 877)**	
Fines	400 169	(200 000)	**200 169**	993 006	**792 837**	
Other transfer revenue 1	112 997	-	**112 997**	-	**(112 997)**	
Total revenue from non-exchange transactions	**298 926 152**	**5 800 000**	**304 726 152**	**301 287 897**	**(3 438 255)**	
Total revenue	**359 833 897**	**26 584 439**	**386 418 336**	**344 212 945**	**(42 205 391)**	
Expenditure						
Employee related costs	(73 884 712)	(2 331 118)	**(76 215 830)**	(74 714 370)	**1 501 460**	
Remuneration of councillors	(20 050 894)	(1 286 100)	**(21 336 994)**	(20 873 647)	**463 347**	
Depreciation and amortisation	(15 041 010)	(300 000)	**(15 341 010)**	(28 680 827)	**(13 339 817)**	
Debt impairment	(5 750 552)	-	**(5 750 552)**	(19 199 927)	**(13 449 375)**	
Bulk purchases	(14 964 871)	(1 271 177)	**(16 236 048)**	(14 679 655)	**1 556 393**	
Contracted Services	(13 868 221)	(1 300 000)	**(15 168 221)**	(13 883 089)	**1 285 132**	
General Expenses	(74 641 128)	1 089 902	**(73 551 226)**	(75 634 028)	**(2 082 802)**	
Total expenditure	**(218 201 388)**	**(5 398 493)**	**(223 599 881)**	**(247 665 543)**	**(24 065 662)**	
Surplus before capital expenditure	**141 632 509**	**21 185 946**	**162 818 455**	**96 547 402**	**(66 271 053)**	
Capital expenditure	141 632 508	21 186 191	**162 818 699**	168 679 537	**5 860 838**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1**	**(245)**	**(244)**	**(72 132 135)**	**(72 131 891)**	

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 42 for explanations of major variances
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 053 556	(3 053 556)	**-**	11 923 220	**11 923 220**	
Receivables from exchange transactions	(2 305 279)	-	**(2 305 279)**	74 918 907	**77 224 186**	
Receivables from non-exchange transactions	-	-	**-**	3 647 924	**3 647 924**	
VAT receivable	-	-	**-**	22 025 783	**22 025 783**	
Consumer debtors	12 951 119	(12 951 119)	**-**	2 127 696	**2 127 696**	
Cash and cash equivalents	72 701 138	32 000 000	**104 701 138**	13 167 011	**(91 534 127)**	
	86 400 534	**15 995 325**	**102 395 859**	**127 810 541**	**25 414 682**	
Non-Current Assets						
Investment property	249 045	(249 045)	**-**	231 065	**231 065**	
Property, plant and equipment	683 693 720	19 186 195	**702 879 915**	814 565 410	**111 685 495**	
Intangible assets	208 103	-	**208 103**	185 281	**(22 822)**	
Heritage assets	548 500	(548 500)	**-**	548 500	**548 500**	
	684 699 368	**18 388 650**	**703 088 018**	**815 530 256**	**112 442 238**	
Total Assets	**771 099 902**	**34 383 975**	**805 483 877**	**943 340 797**	**137 856 920**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	39 600 931	7 000 000	**46 600 931**	56 139 539	**9 538 608**	
Consumer deposits	351 303	(351 303)	**-**	383 334	**383 334**	
Unspent conditional grants and receipts	-	-	**-**	353 553	**353 553**	
	39 952 234	**6 648 697**	**46 600 931**	**56 876 426**	**10 275 495**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	736 178	**736 178**	
Employee benefit obligation	-	-	**-**	12 907 853	**12 907 853**	
Provisions	-	-	**-**	314 609	**314 609**	
	-	**-**	**-**	**13 958 640**	**13 958 640**	
Total Liabilities	**39 952 234**	**6 648 697**	**46 600 931**	**70 835 066**	**24 234 135**	
Net Assets	**731 147 668**	**27 735 278**	**758 882 946**	**872 505 731**	**113 622 785**	

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 42 for explanations of major variances
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	731 147 668	27 735 278	**758 882 946**	872 505 731	**113 622 785**	

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 42 for explanations of major variances
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash received from trade services, assessment rates and rental	30 746 401	8 820 000	**39 566 401**	9 567 261	**(29 999 140)**	
Grants	288 199 000	6 000 000	**294 199 000**	290 977 891	**(3 221 109)**	
Interest income	11 924 111	-	**11 924 111**	4 605 544	**(7 318 567)**	
Cash received from agency fees, fines and sundry income	-	-	**-**	842 363	**842 363**	
Other cash item	12 924 111	-	**12 924 111**	-	**(12 924 111)**	
	343 793 623	**14 820 000**	**358 613 623**	**305 993 059**	**(52 620 564)**	
Payments						
Employee costs	-	-	**-**	(94 896 000)	**(94 896 000)**	
Suppliers and employees	197 409 829	5 398 243	**202 808 072**	(100 217 672)	**(303 025 744)**	
	197 409 829	**5 398 243**	**202 808 072**	**(195 113 672)**	**(397 921 744)**	
Net cash flows from operating activities	**541 203 452**	**20 218 243**	**561 421 695**	**110 879 387**	**(450 542 308)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(153 768 699)	**(153 768 699)**	
Proceeds from sale of property, plant and equipment	112 997	-	**112 997**	577 756	**464 759**	
Purchase of heritage assets	-	-	**-**	(148 800)	**(148 800)**	
Net cash flows from investing activities	**112 997**	**-**	**112 997**	**(153 339 743)**	**(153 452 740)**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(304 978)	**(304 978)**	
Net increase in cash and cash equivalents	541 316 449	20 218 243	**561 534 692**	(42 765 334)	**(604 300 026)**	
Cash and cash equivalents at the end of the year	**541 316 449**	**20 218 243**	**561 534 692**	**(42 765 334)**	**(604 300 026)**	

Accounting Policies

1. Basis of preparation

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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.

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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 per individual debtors using the recoverability rate per debtors. The municpality provide for debtors 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.

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

1.4 Investment property (continued)

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

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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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.

1.6 Intangible assets (continued)

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	5 years

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

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.

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.

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost/fair value 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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

Gains and losses

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

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

Accounting Policies

1.8 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial liabilities

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

Presentation

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

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

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

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.

Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

1.10 Leases (continued)

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.

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

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Key Management Personnel is defined as the Municipal Manager, Chief Financial Officer, and all other Directors reporting directly to the Municipal Manager or desgnated by the Municipal Manager as well as the Mayor and Councillors

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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 used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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 used 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:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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.

1.15 Impairment of cash-generating assets (continued)

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.

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.

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

In allocating an impairment loss, the 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 used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

1.16 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:
- the period of time over which an asset is expected to be used by the municipality; or
- 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 current 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.

Accounting Policies

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 Income

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.

Traffic 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.

Property 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 recognised when 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 income

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

Gain/ Loss on assets:
Gain/ loss on assets are recognised in the on the statement of financial performance as revenue from non-exchange transaction or non-cash expenditure

Government grants and transfers

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Traffic 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 Investment income

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

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.

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. Fruitless and wasteful expenditure is also disclosed on the notes. It get de-recognised when condoned by the Council

1.26 Irregular expenditure

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

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

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

Irregular expenditure 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. If the obligation has been exceeded an asset 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 2017/07/01 to 2018/06/30.

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

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

Accounting Policies

1.30 Budget information (continued)

Comparative information is not required.

Notes to the Annual Financial Statements

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 2018 or later periods:

GRAP 20: Related parties

GRAP 108: Statutory Receivables

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

GRAP 109: Accounting by Principals and Agents

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Inventories

Work in progress	11 087 721	5 575 722
Consumable stores	835 499	860 223
	11 923 220	**6 435 945**

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	1 638 821	1 335 794
Sundry debtors	3 253 934	2 965 203
Cash suspense	189	-
Insurance debtor	-	151 750
Mopani District Municipality (Water and Sanitation Function)	71 111 963	52 750 608
Less: Allowance for impairment	(1 086 000)	(1 121 097)
	74 918 907	**56 082 258**

5. Receivables from non-exchange transactions

Traffic Fines	7 541 530	6 638 425
Consumer Debtors - Rates	52 803 629	44 181 666
Impairment of Consumer debtors - Rates	(49 155 705)	(40 888 602)
Impairmment debtors - Traffic fines	(7 541 530)	(6 321 858)
	3 647 924	**3 609 631**

Receivables from non-exchange transactions

The ageing of rates is as follows:

Current (0-30 days)	1 198 437	1 134 535
31-60 days	1 006 185	909 573
61-90 days	969 488	882 374
91-120 days	940 505	864 718
>365 days	41 708 619	33 883 274
	52 803 629	44 181 666
Less: Impairment	(49 155 705)	(40 888 602)
	3 647 924	3 293 064

6. Consumer debtors

Gross balances		
Electricity	18 835 844	17 621 676
Refuse	46 777 780	39 712 981
Other	19 934 498	19 358 613
	85 548 122	**76 693 270**

Less: Allowance for impairment		
Electricity	(17 575 926)	(15 517 618)
Refuse	(46 150 041)	(39 093 231)
Other	(19 694 459)	(19 114 425)
	(83 420 426)	**(73 725 274)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Consumer debtors (continued)

Net balance		
Electricity	1 259 918	2 104 058
Refuse	627 739	619 750
Other	240 039	244 188
	2 127 696	**2 967 996**

Electricity		
Current (0 -30 days)	1 220 098	1 115 537
31 - 60 days	779 022	674 353
61 - 90 days	575 599	554 099
91 - 120 days	462 598	534 707
121 - 365 days	3 520 037	3 418 655
> 365 days	12 278 489	11 324 324
Less: Impairment	(17 575 925)	(15 517 617)
	1 259 918	**2 104 058**

Refuse		
Current (0 -30 days)	750 225	682 465
31 - 60 days	699 361	633 418
61 - 90 days	680 005	612 332
91 - 120 days	663 987	601 956
121 - 365 days	5 062 927	4 513 508
> 365 days	38 921 275	32 669 302
Less: Impairment	(46 150 041)	(39 093 231)
	627 739	**619 750**

Other (specify)		
Current (0 -30 days)	69 733	69 908
31 - 60 days	68 685	68 909
61 - 90 days	68 844	68 908
91 - 120 days	68 688	68 907
121 - 365 days	548 362	552 517
> 365 days	19 110 186	18 529 463
Less: Impairment	(19 694 459)	(19 114 424)
	240 039	**244 188**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1 531 910	1 499 350
31 - 60 days	1 297 985	1 151 290
61 - 90 days	1 210 088	1 068 012
91 - 120 days	1 045 115	1 014 585
121 - 365 days	8 215 287	7 451 242
> 365 days	66 757 796	58 974 440
	80 058 181	**71 158 919**
Industrial/ commercial		
Current (0 -30 days)	432 742	317 151
31 - 60 days	237 740	189 454
61 - 90 days	103 373	127 581
91 - 120 days	139 181	150 333
121 - 365 days	840 268	773 312
> 365 days	2 981 535	2 579 198
	4 734 839	**4 137 029**
National and provincial government		
Current (0 -30 days)	74 423	50 511
31 - 60 days	10 509	35 175
61 - 90 days	10 159	39 746
91 - 120 days	10 155	40 652
121 - 365 days	69 417	255 192
> 365 days	537 338	942 633
	712 001	**1 363 909**
Other: Ageing		
Current (0-30 days)	982	898
31-60 days	934	761
61-90 days	828	-
91-120 days	822	-
121-365 days	6 354	4 936
>365 days	33 281	26 818
	43 201	**33 413**
Total		
Current (0 -30 days)	2 040 056	1 867 911
31 - 60 days	1 547 068	1 376 680
61 - 90 days	1 324 448	1 235 339
91 - 120 days	1 195 274	1 205 570
121 - 365 days	9 131 326	8 484 681
> 365 days	70 309 950	62 523 089
	85 548 122	76 693 270
Less: Allowance for impairment	(83 420 426)	(73 725 274)
	2 127 696	**2 967 996**
Less: Allowance for impairment		
> 365 days	(83 420 426)	(73 725 274)

Figures in Rand	2018	2017

6. Consumer debtors (continued)

Reconciliation of allowance for impairment

	2018	2017
Balance at beginning of the year	(73 725 274)	(55 710 632)
Contributions to allowance	(9 695 152)	(18 014 642)
	(83 420 426)	**(73 725 274)**

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.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Bank balances	451 661	2 301 712
Short-term deposits	10 378 254	51 515 756
Call account	2 337 096	2 114 877
	13 167 011	**55 932 345**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB BANK - 52100005761	202 775	9 142 172	476 160	245 226	723 894	471 257
FNB BANK - 62051705534	245 227	1 189 742	757 855	206 435	1 577 818	757 854
Total	**448 002**	**10 331 914**	**1 234 015**	**451 661**	**2 301 712**	**1 229 111**

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480 511	(249 446)	231 065	480 511	(240 454)	240 057

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	240 057	(8 992)	231 065

Reconciliation of investment property - 2017

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

8. Investment property (continued)

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

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 830 077	-	33 830 077	33 830 077	-	33 830 077
Buildings	203 771 396	(41 028 282)	162 743 114	166 566 639	(33 958 086)	132 608 553
Infrastructure	562 017 522	(87 391 076)	474 626 446	497 962 002	(70 601 058)	427 360 944
Other assets	51 724 001	(28 932 919)	22 791 082	52 284 563	(28 841 741)	23 442 822
WIP - Infrastructure	53 045 851	-	53 045 851	36 691 239	-	36 691 239
WIP - Buildings	67 528 840	-	67 528 840	35 929 340	-	35 929 340
Total	**971 917 687**	**(157 352 277)**	**814 565 410**	**823 263 860**	**(133 400 885)**	**689 862 975**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	33 830 077	-	-	-	-	-	-	33 830 077
Buildings	132 608 553	-	-	37 204 740	-	(6 237 927)	(832 252)	162 743 114
Infrastructure	427 360 944	-	-	64 016 978	-	(16 195 939)	(555 537)	474 626 446
Other assets	23 442 822	4 592 850	(474 642)	-	-	(4 628 267)	(141 681)	22 791 082
WIP - Infrastructure	36 691 239	76 546 190	-	-	(60 191 578)	-	-	53 045 851
WIP - Buildings	35 929 340	72 629 659	-	-	(41 030 159)	-	-	67 528 840
	689 862 975	**153 768 699**	**(474 642)**	**101 221 718**	**(101 221 737)**	**(27 062 133)**	**(1 529 470)**	**814 565 410**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfer in	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	33 830 077	-	-	-	-	-	-	-	33 830 077
Buildings	109 448 743	20 170 369	-	-	16 959 006	(2 179 316)	(5 022 402)	(6 767 847)	132 608 553
Infrastructure	304 367 342	48 241 238	-	-	88 937 842	-	(13 340 686)	(844 792)	427 360 944
Other assets	28 407 742	410 552	-	(365 173)	-	-	(4 251 443)	(758 856)	23 442 822
WP - Infrastructure	111 701 298	-	11 748 467	-	-	(86 758 526)	-	-	36 691 239
WP - Buildings	37 858 821	-	15 029 525	-	-	(16 959 006)	-	-	35 929 340
	625 614 023	**68 822 159**	**26 777 992**	**(365 173)**	**105 896 848**	**(105 896 848)**	**(22 614 531)**	**(8 371 495)**	**689 862 975**

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.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 319 316	(1 134 035)	185 281	1 170 516	(1 053 819)	116 697

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	116 697	148 800	(80 216)	185 281
	116 697	**148 800**	**(80 216)**	**185 281**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	207 556	20 551	(111 410)	116 697

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

	2018			2017		
	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 2018

	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	2018	2017

11. Heritage assets (continued)

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
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

	2018	2017
Trade payables	20 538 074	5 302 679
Payments received in advance	748 671	968 695
Retentions	22 288 005	17 450 102
Accrued leave pay	9 202 307	8 598 350
Accrued annual bonus	1 424 336	1 323 758
Other payables	182 708	302 175
Unkown deposits	1 755 438	1 473 418
	56 139 539	**35 419 177**

13. Consumer deposits

	2018	2017
Electricity	383 334	363 726

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:

	2018	2017
Unspent conditional grants and receipts		
Integrated National Electrification Grant (INEP)	353 553	643 677

Movement during the year

	2018	2017
Balance at the beginning of the year	643 677	-
Additions during the year	69 307 000	65 191 000
Income recognition during the year	(69 597 124)	(64 547 323)
	353 553	**643 677**

15. Employee benefit obligations

Defined benefit plans

Figures in Rand	2018	2017

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	9 547 636	9 200 742
Defined benefit obligation - Long service awards	3 360 218	3 015 094
	12 907 854	**12 215 836**

16.1 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 2018.

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

Present value of the defined benefit obligation unfunded	9 547 636	9 200 742

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

Opening balance	9 200 742	8 285 000
Benefits paid	(89 264)	(94 216)
Net expenses recognised in the statement of financial performance	436 158	1 009 958
	9 547 636	**9 200 742**

Net expense recognised in the statement of financial performance in general expenses		
Current service cost	844 183	609 347
Interest cost	967 924	846 216
Acturial (gains) / losses	(1 375 949)	(445 605)
	436 158	**1 009 958**

Figures in Rand	2018	2017

15. Employee benefit obligations (continued)

Calculation of actuarial gains and losses		
Actuarial (gains) /losses - Obligation	(1 375 949)	(445 605)

Key assumptions used		
Discounted rates used	9,84 %	10,09 %
Medical aid contribution inflation	7,56 %	8,35 %
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 increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 201 100	1 765 400

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	9 547 636	9 200 742	8 285 000	7 644 119	5 768 145
Surplus (deficit)	(9 547 636)	(9 200 742)	(8 285 000)	(7 644 119)	(5 768 145)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Employee benefit obligations (continued)

16.2 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 2018 (2017: 205). 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:

	2018	2017
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 360 218	3 015 427

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

	2018	2017
Opening balance	3 015 427	2 933 023
Benefits paid	(338 858)	(227 174)
Net expense recognised in the statement of financial performance	642 642	309 578
	3 319 211	**3 015 427**

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

	2018	2017
Current service cost	347 109	346 980
Interest cost	245 748	296 089
Actuarial (gains) losses	49 785	(333 491)
	642 642	**309 578**

Calculation of actuarial gains and losses

	2018	2017
Actuarial (gains) losses – Obligation	49 785	(333 491)

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	8,61 %	8,49 %
Expected increase in salaries	6,21 %	6,31 %
Other material actuarial assumptions [provide details]	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 2018 of 7.00%. The next salary increase was assumed to take place on 1 July 2019.

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."

15. Employee benefit obligations (continued)

We use the nominal and real zero curves as at **30 June 201**8 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 increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	682 000	584 700

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

	2018	2017	2016	2015	2014
Defined benefit obligation	3 360 218	3 015 427	2 933 023	2 746 341	2 388 485
Surplus (deficit)	(3 360 218)	(3 015 427)	(2 933 023)	(2 746 341)	(2 388 485)

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 - 2018

	Opening Balance	Additions	Total
Landfill rehabilitation	296 801	17 808	314 609

Reconciliation of provisions - 2017

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

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 has being re-habilitated

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Service charges

Sale of electricity	9 667 754	9 782 575
Refuse removal	4 193 295	4 053 445
	13 861 049	**13 836 020**

18. Investment revenue

Interest revenue		
Bank	1 621 315	1 740 541
Interest received - Investments	2 984 229	4 145 383
	4 605 544	**5 885 924**

19. Property rates

Rates earned

Residential	3 888 155	4 332 339
Commercial	1 504 506	830 741
Government	459 758	512 281
Municipal	273 220	304 432
Other	2 474 129	2 756 775
	8 599 768	**8 736 568**

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.

20. Government grants and subsidies

Operating grants		
Equitable share	222 507 999	206 299 001
Finance Management Grant	2 145 000	1 810 000
Extended Public Works Programme	2 384 000	1 405 000
	227 036 999	209 514 001
Capital grants		
Municipal Infrastructure Grant	58 368 000	54 976 000
Integrated National Electrification Grant	6 290 124	6 356 323
	64 658 124	61 332 323
	291 695 123	**270 846 324**

Equitable Share

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 810 000)
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)

Current-year receipts	61 162 000	54 976 000
Conditions met - transferred to revenue	(61 162 000)	(54 976 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

This grant was used to construct municipal infrastructure to provide basic services for the benefit of communities. In 2017/18 financial year the conditions of the grant were met and resulting in a debtor. In 2016/17 financial year all the conditions of the grant were met.

Extended Public Works Grant (EPWP)

Current-year receipts	2 384 000	1 405 000
Conditions met - transferred to revenue	(2 384 000)	(1 405 000)
	-	-

Intergrated National Electrification Grant (INEG)

Balance unspent at beginning of year	643 677	-
Current-year receipts	6 000 000	7 000 000
Conditions met - transferred to revenue	(6 290 124)	(6 356 323)
	353 553	**643 677**

21. Revenue

Service charges	13 861 049	13 836 020
Rental of facilities and equipment	169 074	142 097
Interest received - outstanding receivables	10 309 711	9 162 216
Agency services	2 258 635	1 975 516
Licences and permits	10 675 069	4 153 476
Other income	842 363	1 239 860
Gain on assets	203 603	-
Interest received - investment	4 605 544	5 885 924
Property rates	8 599 768	8 736 568
Government grants and subsidies	291 695 123	270 846 324
Traffic fines	993 006	1 373 405
Gain on assets	-	107 985
	344 212 945	**317 459 391**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

21. Revenue (continued)

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

Service charges	13 861 049	13 836 020
Rental of facilities and equipment	169 074	142 097
Interest received - outstanding receivables	10 309 711	9 162 216
Agency services	2 258 635	1 975 516
Licences and permits	10 675 069	4 153 476
Other income	842 363	1 239 860
Gain on assets	203 603	-
Interest received - investment	4 605 544	5 885 924
	42 925 048	**36 395 109**

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

Taxation revenue		
Property rates	8 599 768	8 736 568
Transfer revenue		
Government grants and subsidies	291 695 123	270 846 324
Traffic fines	993 006	1 373 405
Gain on assets	-	107 985
	301 287 897	**281 064 282**

22. Employee related costs

Salaries and wages	45 210 929	42 332 560
Annual bonus	2 922 409	3 092 283
Medical aid benefits	3 629 796	3 230 794
UIF	403 192	400 323
WCA	469 314	-
Leave pay provision charge	1 541 100	1 389 476
Pension fund and other fund contributions	10 137 519	9 340 584
Overtime payments	4 557 051	4 619 370
Travel and car allowance	4 333 619	3 309 934
Housing benefits and allowances	1 509 441	661 691
	74 714 370	**68 377 015**

Remuneration of Municipal Manager (DR Sirovha KI)

Annual Remuneration	256 356	-
Transport Allowance	57 800	-
Contributions to UIF, Medical and Pension Funds	171 838	-
Housing Allowance	54 400	-
	540 394	**-**

Dr. KI Sirovha was appointed effective from April 2018 to date ,

Remuneration of Chief Finance Officer (Mankgabe MF)

Annual Remuneration	294 517	600 480
Transport Allowance	82 800	252 000
Contributions to UIF, Medical and Pension Funds	92 029	72 000
	469 346	**924 480**

MF Mankgabe was appointed effective from April 2018 to date and

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Employee related costs (continued)

Remuneration of Director Infrastructure Planning and Development (Sewape O)

Acting allowance	-	14 587

Remuneration of Director Corporate Services (Dr Letsoalo MB)

Annual Remuneration	240 160	630 200
Transport Allowance	40 000	154 000
Contributions to UIF, Medical and Pension Funds	20 000	33 000
Acting allowance	-	6 314
	300 160	**823 514**

Dr MB Letsoalo was appointed effective from March 2018 to date and.

Remuneration of Director Community Services (Dr Mokoena M)

Annual Remuneration	319 510	-
Car Allowance	50 000	-
Contributions to UIF, Medical and Pension Funds	89 049	-
	458 559	**-**

Dr MD Mokoena was appointed effective from March 2018 to date.

Remuneration of Director Technical Services (Malungana M)

Annual Remuneration	318 387	-
Car Allowance	15 000	-
Contributions to UIF, Medical and Pension Funds	25 000	-
	(358 387)	-
	358 387	**-**

ME Malungane appointed effective from February 2018 to date.

Remuneration of Director Urban and Town Planning (Sewape O)

Annual Remuneration	387 457	-
	(387 457)	-
	387 457	**-**

Mr. O Sewape was appointed effective from February 2018.

Acting Municipal Manager (Mhangwana D)

Acting allowance	137 338	-
	(137 338)	-
	137 338	**-**

D Mhangwane was Acting Municipal Manager from August 2017 to March 2018, seconded from Coghsta

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Employee related costs (continued)

Acting Chief Financial Officer (Mr Thoka BJ)

Annual Remuneration	270 451	-
Housing Allowance	5 576	-
Bonuses	38 636	-
Contributions to UIF, Medical and Pension Funds	59 499	-
Acting Allowance	58 269	-
Transport allowance	67 612	-
	(500 043)	-
	500 043	**-**

BJ Thoka was Acting Chief Finance Officer from September 2017 to March 2018.

Acting Director Corporate Services (Dr Mokoena MD)

Annual Remuneration	370 534	-
Transport Allowance	56 000	-
Annual Bonuses	38 178	-
Contributions to UIF, Medical and Pension Funds	81 518	-
Acting Allowance	39 226	-
	(585 456)	-
	585 456	**-**

Dr MD Mokoena was Acting Director Corporate Services from July 2017 to February 2018.

Acting Director Community Services (E Stoltz)

Annual Remuneration	270 451	-
Tansport Allowance	67 613	-
Bonus	38 635	-
Contributions to UIF, Medical and Pension Funds	86 596	-
Acting Allowance	28 549	-
	(491 844)	-
	491 844	**-**

Stoltz was Acting Community Services Director from August to Ferbuary 2017

Municipal Manager (TG Mashaba)

Annual Remuneration	90 076	892 134
Transport Allowance	17 000	204 000
Contributions to UIF, Medical and Pension Funds	-	244 800
	(107 076)	(1 340 934)
	107 076	**1 340 934**

TG Mashaba was Munipal Manager and her contract expired on 31 July 2017.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Employee related costs (continued)

Director Community Services (ID Mogale)

Annual Remuneration	74 013	714 327
Car Allowance	(15 000)	180 000
Contributions to UIF, Medical and Pension Funds	-	168 000
Other	(59 013)	(1 062 327)
	59 013	**1 062 327**

Mr DI Mogale was the Director for Community Services, and his contract expeired on 31 July 2017

23. Remuneration of councillors

Mayor's salary	596 935	573 436
Executive committee salary	1 498 577	1 425 488
Speaker's salary	477 548	457 693
Councillors' salary	11 261 793	10 792 179
Travel allowance	4 613 222	4 286 186
Cell phone allowance	2 425 569	1 361 492
	20 873 644	**18 896 474**

Remuneration per councillor

Refer to note 36 for detail of remuneration per councillor.

24. Depreciation and amortisation

Property, plant and equipment	28 591 073	19 943 036
Investment property	8 992	8 991
Intangible assets	80 762	111 410
	28 680 827	**20 063 437**

25. Bulk purchases

Electricity	14 679 655	13 029 942

26. Contracted services

Meter reading services	155 919	50 077
Security services	7 093 022	6 389 496
Operating leases	-	307 381
Specialist services	-	72 839
Other contractors	4 354 859	4 961 616
Refuse removal	2 279 289	1 609 327
	13 883 089	**13 390 736**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. General expenses

Advertising	655 379	909 986
Auditor's remuneration	4 233 634	3 344 965
Bank charges	287 010	205 355
Consulting and professional fees	4 997 213	3 267 625
Entertainment	12 393	16 490
Insurance	1 576 398	1 427 033
Conferences and seminars	311 613	270 831
Motor vehicle expenses	-	91 709
Stores and material	517 921	813 173
Fuel and oil	3 635 783	3 114 333
Postage and courier	25 780	35 279
Printing and stationery	775 898	1 220 822
SAIMSA games	667 745	-
Repairs and maintenance	9 246 952	4 102 201
Youth empowerment project and network upgrade	1 388 510	52 215
Youth desk development	351 006	147 227
Subscriptions and membership fees	2 494 947	2 550 853
Telephone and fax	1 386 847	1 548 036
Training	163 919	412 210
Travel - local	8 497 617	6 227 813
Lease rentals on operating lease	104 872	5 999
Electricity	3 625 002	2 614 780
Tourism development	42 951	74 917
Bursary scheme	1 626 902	2 502 056
Capacity building	85 543	279 534
Catering	369 218	695 425
Interns	3 003 646	2 774 347
Free basic services and rebates	854 724	712 337
Gender desk activities and development activities	1 698 213	4 513 200
Public paticipation	4 961 421	3 262 368
Workshops and meetings	3 611 250	4 428 718
Other expenses	14 423 721	6 298 351
	75 634 028	**57 920 188**

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

28. Auditor's remuneration

Fees	4 233 634	3 344 965

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Cash generated from operations

Surplus	96 547 402	94 453 205
Adjustments for:		
Depreciation and amortisation	28 680 827	20 063 437
Gain on sale of assets and liabilities	-	98 007
Debt impairment	19 199 927	31 230 387
Movements in retirement benefit assets and liabilities	692 017	998 199
Movements in provisions	17 808	(2 119 999)
Fair value adjustment	-	(107 985)
Changes in working capital:		
Inventories	(5 487 275)	(5 699 055)
Receivables from exchange transactions	(18 801 552)	(16 589 459)
Consumer debtors	(8 854 852)	(20 294 346)
Other receivables from non-exchange transactions	(9 525 068)	(926 582)
Payables from exchange transactions	20 564 146	(18 629 152)
VAT	(11 883 478)	7 590 511
Unspent conditional grants and receipts	(290 124)	643 677
Consumer deposits	19 608	12 423
	110 879 386	**90 723 268**

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Capital	125 835 369	147 215 595
• Operation	24 064 631	28 128 677
	149 900 000	**175 344 272**

Total capital commitments		
Already contracted for but not provided for	149 900 000	175 344 272

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.

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 R0 (2017:R144 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 (2017: R52 000 000).

Hennox 60 CC vs Greater Letaba Municipality
The municipality is sued for an amount of R3 635 593 (2017: 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.

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 R0 (2017: R95 190) from the municipali**ty**

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 R0 (2017: 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 R4 035 000 (2017: R3 500 000).

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 (2017: R1 960 812).

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 R0 (2017: 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 (2017:R2 835 766)

Contigent Assets

The municipality has a contigent asset related to flexible investment with Momentum as a result of money market ABIL Retention Fund R0 (2017: R93 555)

The municipality has a contigent assets related to an unspent MIG grant which Treasury deducted during the year from the municipality equitable shares based on unaudited annual financial statements for 2016/17 financial year. R2 794 000, (2017:R0)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

32. Unauthorised expenditure

Unauthorised expenditure	95 125 853	69 455 292
Unathorised expenditure in the current eyar	51 199 769	25 670 561
Closing balance	**146 325 622**	**95 125 853**

Reconciliation of budgeted vs actual expenditure - Per income statement		
Actual expenditure	247 665 543	230 489 996
Approved Operating budget	(223 599 635)	(204 819 435)
Over / (Under) spending of Operating budget	24 065 662	25 670 561
Total net effect of overspending of budget	**24 065 662**	**25 670 561**

The overall budget for expenditure for 2018 was overspend:

The unauthorised expenditure during 2018 amounting to R51 199 769 was as a results of operating budget overspending of R27 976 829 on Executive and Council, community services, Technical Services, and Budget & Treasury related to non-cash item for provision for bad debts and depreciation. And Capital budget unathorised was R23 222 929

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

Fruitless and wasteful expenditure	471 425	323 770
Interest paid to service provider	24 678	17 808
Add: Stock losses due to theft and shortages	72 848	129 847
Less: Amount write-off	(17 808)	-
Fruitless and wasteful expenditure awaiting condonement	**551 143**	**471 425**

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 R0 (2017: R26 569)
Interest on late payment of Eskom account: R24 534 (2017: R14 533)
Interest on late payment of Telkom account: R (2017: R1 274.99)
Interest on late payment to Auditor General of South Africa: R144 (2017: R7 326.26)
Interest and penalties on SARS : R (2017: R0
Interest on others suppliers R0 (2017: R3435.21)

he matters above have been submitted to MPAC for investigation. The Council approved the write-off of fruitless and wasteful expenditure amounting to R17,808 for the financial year 2016/17.

34. Irregular expenditure

Opening balance	181 581 241	180 356 253
Add: Irregular Expenditure - incurred in current year	85 971 567	25 041 311
Add: Irregular expenditure incurred in prior year but identified in current year	10 404 988	-
Less: Amount written-off	(153 565 586)	-
Less: Correction of prior year error	-	(23 816 323)
	124 392 210	**181 581 241**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

34. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	85 971 567	22 605 550
Prior years	38 420 643	158 975 689
	124 392 210	**181 581 239**

The Irregular expenditure was caused by non compliance with the SCM policy and regulations. The matters above have been submitted to Council and were imvestigated by MPAC. Irregular expensiture totalling R175 064 769 (VAT Inclusive), R153 565 586 (VAT Exclusive) was written of by Council on 20 August 2018

35. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

None of the Councillors had an arrear accounts outstanding for more than 30 days at 30 June 2018:

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 Malatjie SS	1 338	19 996	21 334
	6 232	**62 592**	**68 824**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

36. Related parties

Relationships	
Mopani District Municipality (Water and Sewerage Transactions)	R71 111 963 (R52 750 608)
Members of key management (Refer to note 22)	Dr KI Sirovha (Municipal Manager)
	MF Mankgabe (Chief Financial Officer)
	Dr MB Letsoalo (Director Corporate Services)
	Dr M Mokoena (Director Community Services)
	O Sewape (Director Town Planning)
	M Malungana (Director Technical Services
	BJ Thoka (Acting Chief FInancial Officer)
	D Mhangwana (Acting Municipal Manager)
	EStoltz (Acting Director Munity Services)
	TG Mashaba (Municipal Manager)
	ID Mogale (Director Community Services)
	Councillors - 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 or operationl decision.

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 decision.

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

Remuneration of Councillors

36. Related parties (continued)

Remuneration per Councillor

2018

	Salary	Cellphone Allowance	Car Allowance	Total
30 June 2018				
Hon Cllr MP Matlou (Mayor)	596 935	40 800	198 978	836 713
Hon Cllr MD Makhananisa (Speaker)	477 548	40 800	159 183	677 531
Cllr TJ Rababalela	249 764	40 800	83 254	373 818
Cllr MP Masela	249 760	40 800	83 254	373 814
Cllr MG Selowa	249 764	40 800	83 254	373 818
Cllr D Raphokwane	249 764	40 800	83 254	373 818
Cllr MM Mabeba	249 764	40 800	83 254	373 818
Cllr SM Rasetsoke	249 764	40 800	83 254	373 818
Cllr R Mosila	447 702	40 800	149 234	637 736
Cllr ND Modiba	447 702	40 800	149 234	637 736
Cllr MM Nkwana	447 702	40 800	149 234	637 736
Cllr MI Manyama	219 913	20 868	73 304	314 085
Cllr PJ Mampeule	447 702	40 800	149 234	637 736
Cllr SS Malatji	242 432	40 800	80 810	364 042
Cllr BE Ngobeni	242 432	40 800	80 810	364 042
Cllr MA Lebepe	242 432	40 800	80 810	364 042
Cllr MP Ngobeni	242 432	40 800	80 810	364 042
Cllr KE Ramaano	242 432	40 800	80 810	364 042
Cllr MM Mankgero	242 432	40 800	80 810	364 042
Cllr TJ Kgapane	242 432	40 800	80 810	364 042
Cllr PD Moroatshehla	242 432	40 800	80 810	364 042
Cllr N Selowa	242 432	40 800	80 810	364 042
Cllr M Mathedimosa	188 908	40 800	62 969	292 677
Cllr MF Manyama	188 908	40 800	62 969	292 677
Cllr TJ Senyolo	188 908	40 800	62 969	292 677
Cllr ZT Maluleke	174 056	58 702	59 919	292 677
Cllr ME Mathaba	188 908	40 800	62 969	292 677
Cllr PP Ralephatana	188 908	40 800	62 969	292 677
Cllr V Nkuna	188 908	40 800	62 969	292 677

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

Cllr MR Maake	188 908	40 800	62 969	292 677
Cllr MR Motsinone	188 908	40 800	62 969	292 677
Cllr CM Rasetsoke	188 908	40 800	62 969	292 677
Cllr MP Makomene	188 908	40 800	62 672	292 380
Cllr M Ramoba	188 908	40 800	62 969	292 677
Cllr MM Selomo	188 908	40 800	62 969	292 677
Cllr ME Ralefatane	188 908	40 800	62 969	292 677
Cllr MP Monaiwa	188 908	40 800	62 969	292 677
Cllr MB Maenetsa	188 908	40 800	62 969	292 677
Cllr MV Rampedi	188 908	40 800	62 969	292 677
Cllr PC Pohl	188 908	40 800	62 969	292 677
Cllr KB Monyela	188 908	40 800	62 969	292 677
Cllr MS Kgatla	188 908	40 800	62 969	292 677
Cllr PJ Mohale	188 908	40 800	62 969	292 677
Cllr MF Hlapane	188 908	40 800	62 969	292 677
Cllr MV Mangoro	188 908	40 800	62 969	292 677
Cllr SB Rampyapedi	188 908	40 800	62 969	292 677
Cllr DG Rabothata	188 908	40 800	62 969	292 677
Cllr NF Lebeko	188 908	40 800	62 969	292 677
Cllr NL Seshoka	188 908	40 800	62 969	292 677
Cllr MEC Ndobela	188 908	40 800	62 969	292 677
Cllr ME Ramabela	188 908	40 800	62 969	292 677
Cllr RG Baloyi	188 908	40 800	62 969	292 677
Cllr R Ratlhaha	188 908	40 800	62 969	292 677
Cllr WP Selema	188 908	40 800	62 969	292 677
Cllr S Selamolela	188 908	40 800	62 969	292 677
Cllr SJ Hlungwani	188 908	40 800	62 969	292 677
Cllr ME Masedi	188 907	40 800	62 969	292 676
Cllr SL Mohale	188 907	40 800	62 969	292 676
Cllr MJ Maluleke	94 454	20 400	31 485	146 339
Cllr GH Modjadji	188 907	40 800	62 969	292 676
	13 834 867	**2 425 570**	**4 613 206**	**20 873 643**

2017

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

	Salary	Travel Allowance	Cellphone Allowance		Total
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

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

Cllr PP Ralephatane	140 840	46 949	18 138	-	205 927
Cllr MM Nkwana	15 082	1 337	5 029	-	21 448
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 Makansi	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

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

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 PJ Mohale	159 918	53 306	20 459	-	233 683
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
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

36. Related parties (continued)

Cllr PJ Mampeule	426 382	142 127	22 763	-	591 272
	13 248 775	**4 282 533**	**1 365 166**	**-**	**18 896 474**

37. Prior period error

Property Plant and Equipment
Property, Plant and Equipment as at 30 June 2017 was misstated. The financial statements has been corrected in current year by restating the opening balance and fair value adjustment.

Intangible assets
Intangible assets as at 30 June 2017 was misstated. The financial statements has been corrected in current year by restating the opening balance.

VAT Receivables
VAT as at 30 June 2017 was misstated. The financial statements has been corrected in current year by restating the opening balance.

Receivables from exchange
The other receivables as at 30 June 2017 was mistated. The financial statements has been corrected in current year by restating the opening balance

Receivables from non-exchange
Inventory as at 30 June 2017 was overstated by provision. The financial statements has been corrected in current year by restating the opening balances

Consumer debtors
Consumer debtors as at 30 June 2017 was overstated by due to provisions. 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 2017 was mistated. The financial statements have been corrected in current year by restating the opening balance.

Finance lease obligation
Finance lease obligation as at 30 June 2017 was understated.The financial statements have been corrected in current year by restating the opening balance.

Commitments
Commitment dislosure as at 30 June 2017 was misstated due to error. The financial statements have been corrected in current year by restating the opening balance.

PPE - Land
Land balance as at 30 June 2017 was misstated by R107 984 due to error. Financial Statements have been corrected in the current year by restating the opening balance

Irregular expenditure
Irregular expenditure dislosure as at 30 June 2017 was misstated by R23 816 323 due to error. The financial statements have been corrected in current year by restating the opening balance

The correction of the errors results in adjustments as follows:

Statement of financial position	As previously reported	Correction of error	Re - Classification	2017 Restated
Property, plant and equipment	677 895 023	11 151 522	816 430	689 862 975
Intangible assets	117 244	(547)	-	116 697
Vat receivable	10 175 655	-	(33 350)	10 142 305
Receivables from exchange transactions	56 172 743	(90 485)	-	56 082 258
Receivables from non-exchange transactions	6 396 801	(2 787 170)	-	3 609 631
Payables from exchange transactions	(35 693 282)	2 545	271 560	(35 419 177)
Finance Lease Obligations	-	13 484	(1 054 640)	(1 041 156)
Consumer debtors	6 883 323	(3 915 327)	-	2 967 996
Accumulated Surplus	-	(4 374 022)	-	(4 374 022)
	721 947 507	**-**	**-**	**721 947 507**

37. Prior period error (continued)

Statement of financial performance	As previously reported	Correction of error	2017 Restated
License and permits	4 261 961	(108 485)	4 153 476
Gain on assets	-	107 985	107 985
Depreciation and amortisation	(31 106 428)	11 042 991	(20 063 437)
Contracted services	(13 404 220)	13 484	(13 390 736)
General expenses	(56 929 820)	(4 099 656)	(61 029 476)
Surplus for the year	90 079 183	4 374 522	94 453 705
	(7 099 324)	**-**	**4 231 517**

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 annual financial statements. The total deviations for the year under review amounted to R3 550 897 (2017: R2 533 964.32)

39. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	74 918 907	74 918 907
Other receivables from non-exchange transactions	17 350 754	17 350 754
Consumer debtors	2 127 696	2 127 696
Cash and cash equivalents	13 167 011	13 167 011
	107 564 368	**107 564 368**

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	56 139 539	56 139 539

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	56 082 258	56 082 258
Other receivables from non-exchange transactions	3 609 631	3 609 631
Consumer debtors	2 967 996	2 967 996
Cash and cash equivalents	55 932 345	55 932 345
	118 592 230	**118 592 230**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	35 419 177	35 419 177

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.

Default and breaches
There was no fault and breaches for the applicable liabilities of the municipality

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. No changes were made to the funding method and method used to assess the risk.

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

40. Risk management (continued)

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	383 334	-	-	-
Unspent grant	353 553	-	-	-
Trade and other payables	56 139 539	-	-	-
Provision	314 609	-	-	-
Finance Lease obligation	736 178	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposit	363 726	-	-	-
Unspent grant	643 677	-	-	-
Trade and other payables	35 419 177	-	-	-
Provision	296 801	-	-	-
Finance lease obligation	1 041 156	-	-	-

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 is managed on through implementation of the municipality credit risk policy.

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 annual basis. The muncicipality is required in terms of law to provide services to all it customer base within its jurisdiction. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. No changes were made on the method of assessment.

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

Financial instrument	2018	2017
Other receivables from exhange transactions	74 918 907	56 064 258
Other receivables from non exchange transactions	17 350 754	3 609 631
Cash and cash equivalent	13 167 011	55 932 345
Consumer debtors	2 127 696	2 967 996
VAT receivables	22 070 277	10 142 305

For financial assets wich are past due and imapired refer to note 4, 5 and 6. None of the financial assets terms have been re-negotiated. None of the financial assets were used as security or collateral

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 risk arises from receivbales and financial assets
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. Currently the municipality does not have any long term borrowing.

The interest risk is managed through the implementation of the credit control policy by the revenue unit and applying a fixed interest rate. The was not changes on the policy and the method used

41. Events after the reporting date

On 20 August 2018, before the submission of the financial statemet, the Council aprooved a write-off of Irregular exependiture as investigated by Council amounting R175 064 769. This resulting on adjusting the figures as at 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

42. 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

Service charges
The under performance was caused by delay on billing new development e.g Masakane

Interest on debtors
The variance was caused by increase in outstanding debtors balances

Licences and permits
There is a positive variance. The was due to using weekend operations at DLTC offices in Modjadjiskloof.

Other income
The municpality is unable to rent out machinery due to prioritisation of service delivery. The was delay on implementation of new projects

Interest: External investments
The variance has a negative variance. This was due to investment withdrawal made during the year

Traffic fines
The actual revenue on traffic fines was more than estimated, more fines were issued than projected.This means there is a high rate of offenders on traffic legislation of our roads.

Government grant
The was counter funding on MIG Grant resulting on implementation of more projects implemetation.

Expenditure

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

Depreciation and amortisation
This depreciation projection is informed by the projects which in the budget for 2017/18 finacial year the projects are still in progress and they could not be depreciated hence the variance

Debt impairment
The negative variance was caused by change in the methodology to recoverable rate.

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

General expenses
General expenses has a negative variance due to increased spendings during the current year..

Capital Expenditure:
Capital expenditure variance was due to quick implementation of projects.

Figures in Rand	2018	2017

43. Material losses

Electricity distribution losses

kWh units purchased from Eskom	(16 058 008)	(14 478 891)
KWh units sold per billing system statistics	8 399 434	7 492 794
Distribution losses	**(7 658 574)**	**(6 986 097)**
	47,69 %	51,75 %

The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses. The current year value of the losses was 2018: R7 207 383

44. VAT receivable

VAT	22 025 783	10 142 305

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

45. Finance lease obligation

Minimum lease payments due		
- within one year	346 988	304 978
- in second to fifth year inclusive	389 190	736 178
Present value of minimum lease payments	**736 178**	**1 041 156**

It is municipality policy to lease certain equipment under finance leases. The Municipality have entered into a finance lease to lease multipurpose printers with EduSolution

The average lease term was 3 years

Interest rates are linked to prime at the contract date.

46. Debt impairment

Debt impairment - consumer debtors	17 980 255	30 071 114
Debt impairment - traffic fines and other	1 219 672	1 159 273
	19 199 927	**31 230 387**

47. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 872 505 737 and that the municipality's total assets exceed its liabilities by R872 505 737.

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