ALFRED NZO

DISTRICT MUNICIPALITY

Alfred Nzo District Municipality
Financial statements
for the year ended 30 June 2017

General Information

Mayoral committee	
Executive Mayor	S Mehlomakulu
	S A Sello (Deputy Executive Mayor)
	P T Sobuthongo (Speaker)
	B N Tobo (Chief Whip)
	K J Bosman- Magangana
	S Kulu
	P N Mankahla
	P A Mohale
	N Msokana
	N Nkula
	N N Nqoko
	M M Twabu (MPAC Chairperson)
Councillors	B Betwayo
	N Bongwana
	S A N Cekeshe
	N Cwele
	H N Dandala
	S S Dangisa
	N T Langa
	N Langasiki
	W P Leballo
	L S Maqhashalala
	F Mbuyelwa
	L G Mcambalala
	M Mdolo
	Z Mhlwazi
	M Mkhandiso
	T P Motjope
	B L Mzimkhulu
	N L Ndamase
	V Ngesi
	N Njobe
	N B Nkomo
	L L Nqatsha
	C L Nxesi
	K S Phangwa
	W B Potwana
	F P Sontsi
	E Voko
	N F Sobazile
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	U Mahlasela
Accounting Officer	Z H Sikhundla
Registered office	Erf 1400 Ntsizwa Street Mount Ayliff

General Information

	4735
Business address	Erf 1400 Ntsizwa Street Mt Ayliff 4735
Postal address	Private Bag X511 Mount Ayliff 4735
Bankers	First National Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the financial statements presented to the Alfred Nzo District Municipality Council:

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is largely dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's audit committee.

The audit committee is responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 4 to 73, which have been prepared on the going concern basis, were tabled to the council by accounting officer on 31 August 2017 and were signed on its behalf by:

Z H Sikhundla
Accounting Officer

AUDITOR - GENERAL
SOUTH AFRICA
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Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in and operates principally in the Nzo District of South Africa .

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 329,752,709 (2016): surplus R 386,507,607),

2. Going concern

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

3. Subsequent events

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

4. Corporate governance

General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

5. Interest in controlled entities

Name of controlled entity	Country of incorporation	Shareholding %
Alfred Nzo Development Agency	Republic of South Africa	100

Details of the municipality's investment in controlled entities are set out in note 6.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	11	8,139,021	5,548,780
Receivables from exchange transactions	12	22,148,771	17,010,109
Receivables from non-exchange transactions	13	1,053,251	1,078,737
VAT receivable	14	20,369,239	6,306,229
Cash and cash equivalents	15	9,893,610	38,369,344
		61,603,892	**66,313,199**
Non-Current Assets			
Property, plant and equipment	3	3,172,828,195	2,810,017,075
Intangible assets	4	3,597,557	3,499,014
Heritage assets	5	131,100	131,100
Investments in controlled entities	6	100	100
Long Term Receivables	7	244,496	177,002
Investments	8	6,615,159	38,071,818
		3,183,416,607	**2,851,896,109**
Non-Current Assets		3,183,416,607	2,851,896,109
Current Assets		61,603,892	66,313,199
Total Assets		**3,245,020,499**	**2,918,209,308**
Liabilities			
Current Liabilities			
Finance lease obligation	16	8,205,675	10,465,535
Operating lease liability	9	121,696	45,761
Payables from exchange transactions	21	165,959,914	149,742,743
Unspent conditional grants and receipts	17	405,121	7,898,762
Provisions	18	1,097,790	1,389,405
Current Portion of Long Term Loan	19	892,645	839,564
Payables from Non Exchange Transactions	20	376,458	954,688
		177,059,299	**171,336,458**
Non-Current Liabilities			
Finance lease obligation	16	-	8,193,256
Provisions	18	6,086,462	5,895,707
Long Term Loan	19	7,408,437	8,070,300
		13,494,899	**22,159,263**
Non-Current Liabilities		13,494,899	22,159,263
Current Liabilities		177,059,299	171,336,458
Total Liabilities		**190,554,198**	**193,495,721**
Assets		3,245,020,499	2,918,209,308
Liabilities		(190,554,198)	(193,495,721)
Net Assets		**3,054,466,301**	**2,724,713,587**
Reserves			
Government Grant Reserve		-	1,517,942,029
Accumulated surplus		3,054,466,301	1,206,771,558
Total Net Assets		**3,054,466,301**	**2,724,713,587**

* See Note 46

Statement of Financial Performance for the period ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	14,745,947	25,168,337
Rental of facilities and equipment	25	433,567	233,981
Agency services		26,323	19,915
Other income	26	2,171,278	4,243,442
Interest received	27	17,847,268	10,154,811
Total revenue from exchange transactions		**35,224,403**	**39,820,486**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	29	957,611,832	903,403,357
Public contributions and donations	30	-	1,430,028
Total revenue from non-exchange transactions		**957,611,832**	**904,833,385**
		35,224,403	39,820,486
		957,611,832	904,833,385
Total revenue	23	**992,836,235**	**944,653,871**
Expenditure			
Employee related costs	31	(222,606,790)	(198,053,860)
Remuneration of councillors	32	(8,804,757)	(8,687,645)
Litigation expenditure	33	(2,817,114)	(14,839,908)
Depreciation and amortisation	34	(65,836,335)	(58,805,337)
Finance costs	35	(2,518,719)	(6,426,807)
Lease rentals on operating lease		(2,794,513)	(232,310)
Debt Impairment	36	(6,032,348)	(22,128,617)
Repairs and maintenance		(67,992,282)	(44,528,987)
Bulk purchases	37	(6,447,742)	(5,037,621)
Contracted services	38	(47,530,932)	(31,064,858)
Transfers and Subsidies	28	(93,197,406)	(43,918,404)
General Expenses	39	(135,577,790)	(120,081,125)
Total expenditure		**(662,156,728)**	**(553,805,479)**
		-	-
Total revenue		**992,836,235**	**944,653,871**
Total expenditure		(662,156,728)	(553,805,479)
Operating surplus		**330,679,507**	**390,848,392**
Gain / (Loss) on disposal of assets		-	(4,408,099)
Actuarial gains/losses	18	184,738	67,314
Loss on disposal		(1,111,536)	-
		(926,798)	**(4,340,785)**
Operating surplus/deficit		(926,798)	(4,340,785)
Surplus before taxation		329,752,709	386,507,607
Taxation		-	-
Surplus for the year		**329,752,709**	**386,507,607**

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* See Note 46

Statement of Changes in Net Assets for the period ended 30 June 2017

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	1,517,942,029	835,318,694	2,353,260,723
Balance at 01 July 2015 as restated*	**1,517,942,029**	**835,318,694**	**2,353,260,723**
Changes in net assets			
Prior period error	-	(15,054,743)	(15,054,743)
Net income (losses) recognised directly in net assets	-	(15,054,743)	(15,054,743)
Surplus for the year	-	386,507,607	386,507,607
Total recognised income and expenses for the year	-	371,452,864	371,452,864
Total changes	-	371,452,864	371,452,864
Restated* Balance at 01 July 2016	**1,517,942,029**	**1,206,771,563**	**2,724,713,592**
Changes in net assets			
Transfer of Government Reserve	(1,517,942,029)	1,517,942,029	
Net income (losses) recognised directly in net assets	(1,517,942,029)	1,517,942,029	-
Surplus for the year	-	329,752,709	329,752,709
Total recognised income and expenses for the year	(1,517,942,029)	1,847,694,738	329,752,709
Total changes	(1,517,942,029)	1,847,694,738	329,752,709
Balance at 30 June 2017	**-**	**3,054,466,301**	**3,054,466,301**

Note(s)

* See Note 46

Cash Flow Statement for the period ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Donations Received		-	1,430,028
Service Charges		13,314,514	13,636,298
Other Receipts		2,656,874	4,530,774
Interest Income		8,107,691	10,154,811
Government Grants and Services		950,118,191	905,582,051
		974,197,070	935,333,962
Payments			
Employee costs		(214,618,198)	(196,053,860)
Suppliers		(355,898,860)	(281,248,151)
Remuneration to Councillors		(8,804,757)	(8,687,645)
Finance Costs		(2,518,719)	(6,426,807)
Other payments		(913,310)	(1,448,274)
		(582,753,844)	(495,864,737)
Total receipts		974,197,070	935,333,962
Total payments		(582,753,844)	(495,864,737)
Net cash flows from operating activities	41	**391,443,226**	**439,469,225**
Cash flows from investing activities			
Purchase of moveable and immovable assets	3	(439,932,426)	(515,363,867)
Proceeds from sale of property, plant and equipment	3	1,551,211	(2,518,012)
Purchase of other intangible assets	4	-	(253,437)
Increase in Investments		31,524,153	51,132,010
Net cash flows from investing activities		**(406,857,062)**	**(467,003,306)**
Cash flows from financing activities			
Movement in long term loan		(608,782)	(541,951)
Net finance lease liability (repaid)		(10,453,116)	(9,376,833)
Net cash flows from financing activities		**(11,061,898)**	**(9,918,784)**
Net increase/(decrease) in cash and cash equivalents		**(26,475,734)**	**(37,452,865)**
Cash and cash equivalents at the beginning of the year		36,369,344	73,822,209
Cash and cash equivalents at the end of the year	15	**9,893,610**	**36,369,344**

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* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	28,509,000	(9,027,360)	**19,481,640**	14,745,947	**(4,735,693)**	i
Rental of facilities and equipment	329,920	(198,825)	**131,095**	433,587	**302,492**	h
Agency services	-	-	-	26,323	**26,323**	
Other Income	1,001,770,000	(937,777,264)	**63,992,736**	2,171,278	**(61,821,458)**	g
Interest received - investment	8,000,000	-	**8,000,000**	17,847,268	**9,847,268**	f
Total revenue (excluding capital transfers and contributions)	**1,038,608,920**	**(947,003,449)**	**91,605,471**	**35,224,403**	**(56,381,068)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,104,428,000	35,405,000	**1,139,833,000**	957,611,832	**(182,221,168)**	j
Public contributions and donations	-	-	-	-	-	
Total revenue from non-exchange transactions	**1,104,428,000**	**35,405,000**	**1,139,833,000**	**957,611,832**	**(182,221,168)**	
Total revenue from exchange transactions'	1,038,608,920	(947,003,449)	91,605,471	35,224,403	(56,381,068)	
Total revenue from non-exchange transactions'	1,104,428,000	35,405,000	**1,139,833,000**	957,611,832	**(182,221,168)**	
Total revenue	**2,143,036,920**	**(911,598,449)**	1,231,438,471	**992,836,235**	(238,602,236)	
Expenditure						
Employee Cost	(213,766,586)	(9,477,428)	**(223,244,014)**	(222,606,790)	**637,224**	
Remuneration of councillors	(9,293,963)	(46,314)	**(9,340,277)**	(8,804,757)	**535,520**	
Litigation expenditure	(2,880,000)	-	**(2,880,000)**	(2,817,114)	**62,886**	
Depreciation and amortisation	(55,000,000)	-	**(55,000,000)**	(65,836,335)	**(10,836,335)**	b
Finance costs	(36,369,175)	35,408,929	**(960,246)**	(2,518,719)	**(1,558,473)**	c
Lease rentals on operating lease	(2,795,000)	-	**(2,795,000)**	(2,794,513)	**487**	
Debt Impairment	(20,000,000)	-	**(20,000,000)**	(6,032,348)	**13,967,652**	a
Repairs and maintenance	(41,331,901)	(5,500,000)	**(46,831,901)**	(67,992,282)	**(21,160,381)**	e
Bulk purchases	(4,500,000)	(2,000,000)	**(6,500,000)**	(6,447,742)	**52,258**	
Contracted Services	(47,531,000)	-	**(47,531,000)**	(47,530,932)	**68**	
Transfers and Subsidies	(93,198,000)	-	**(93,198,000)**	(93,197,406)	**594**	
General Expenses	(154,977,398)	3,734,951	**(151,242,447)**	(135,577,790)	**15,664,657**	d
Total expenditure	**(681,643,023)**	**22,120,138**	**(659,522,885)**	**(662,156,728)**	**(2,633,843)**	
	2,143,036,920	(911,598,449)	**1,231,438,471**	992,836,235	**(238,602,236)**	
	(681,643,023)	22,120,138	**(659,522,885)**	(662,156,728)	**(2,633,843)**	
Operating surplus / (deficit)	**1,461,393,897**	**(889,478,311)**	**571,915,586**	**330,679,507**	**(241,236,079)**	
Actuarial gains/losses	-	-	-	184,738	184,738	
Loss on non-current assets held for sale or disposal groups	-	-	-	(1,111,536)	(1,111,536)	
	-	-	-	(926,798)	(926,798)	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	1,461,393,897	(889,478,311)	**571,915,586**	330,679,507	**(241,236,079)**	
	-	-	-	(926,798)	**(926,798)**	
Surplus before Capex	**1,461,393,897**	**(889,478,311)**	**571,915,586**	**329,752,709**	**(242,162,877)**	
Deficit before taxation	1,461,393,897	(889,478,311)	**571,915,586**	329,752,709	**(242,162,877)**	
Surplus	-	-	-	-	-	
Surplus for the year from contiuning operations	**1,461,393,897**	**(889,478,311)**	**571,915,586**	**329,752,709**	**(242,162,877)**	
Capex	(1,461,393,752)	889,478,167	**(571,915,585)**	-	**571,915,585**	
Surplus for the year from contiuning operations	**145**	**(144)**	**1**	**329,752,709**	**329,752,708**	

a) There was a data cleansing exercise which in nature reduced the total debt therby reducing the provision
b) The difference is caused by the correction of prior year where projects were not capitalised whilst completed. It was impossible to predict the expenditure at budget adjustment stage
c) Variance caused by the interest on the finance lease for the leasing of trucks which was budgeted under general expenses and disclosed seperately as required.
d) Other projects were not implemented due to financial constraints
e) The major cause of of the increase in maintenance is the delapidated infrustructure which causeshigh maintanance of valves and pipes
f) Interest earned on investments is R8M and the rest is as a result of debtors discounting which essentially is anon cash item
g) Other income included an amount of R61m that was categorised as reserves which were backed by non- cash items viz- depreciation and provision for bad debt.
h) The facilities were hired more than expected as budget was based on previous projections.
i) The municipality engaged on data cleansing exercise and as a result billing was reduced
j) The variance was caused by schedule 6B grant wherein the municipality receives a portion not the full gazetted amount.

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Going concern assumption

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.2 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20-40
Plant and Equipment	Straight line	2-15
Furniture and Fittings	Straight line	2-10
Motor Vehicles	Straight line	4-10
Office Equipment	Straight line	2-10
Infrastructure - Sewerage	Straight line	2-85
Infrastructure - Water	Straight line	2-100

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1.2 Property, plant and equipment (continued)

Infrastructure - Roads	Straight line	10-100
Bins and Containers	Straight line	5-15
Computer Equipment	Straight line	2-10
Emergency Equipment	Straight line	2-15
Park Homes	Straight line	20-40
Specialised Vehicles	Straight line	5-15

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

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

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

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

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

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

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

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

1.3 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

1.3 Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software	Straight line	2-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

Intangible assets are derecognised:

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

1.4 Heritage assets

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

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

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

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

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

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.

Accounting Policies

1.4 Heritage assets (continued)

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

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

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

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

Impairment

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

Transfers

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

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

1.4 Heritage assets (continued)

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).

1.5 Investments in controlled entities

In the municipality's separate financial statements, investments in investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

1.6 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.6 Financial Instruments (continued)

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

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

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

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

Classification

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

Class	Category
Unlisted Investments	Financial asset measured at amortised cost
Investments in Fixed Deposits	Financial asset measured at amortised cost
Long Term Receivables	Financial asset measured at amortised cost
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents- notice deposists	Financial asset measured at amortised cost
Cash and Cash Equivalents- Call Deposits	Financial asset measured at fair value
Cash and Cash Equivalents	Financial asset measured at fair value

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

Class	Category
Long Term Liabilities	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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1.6 Financial Instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

Accounting Policies

1.6 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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1.6 Financial Instruments (continued)

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

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

Financial assets measured at cost:

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

1.7 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

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

1.7 Leases (continued)

Operating leases - lessee

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

1.8 Inventories

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

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

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

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

1.10 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

1.10 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

1.11 Provisions and contingencies

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

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

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

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

1.11 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

1.11 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 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.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

1.14 Investment income

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

1.15 Borrowing costs

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

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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1.17 Unauthorised expenditure (continued)

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

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

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

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

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

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

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

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.

1.20 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 cash basis and presented by economic classification linked to performance outcome objectives.

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1.20 Budget information (continued)

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

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

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

1.21 Related parties

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

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

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

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

1.22 Events after reporting date

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

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

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

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

1.23 Conditional grant and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municiality has complied with any 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

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	465,000	-	465,000	465,000	-	465,000
Buildings	57,583,187	(20,391,639)	37,191,548	55,700,169	(18,523,654)	37,176,515
Finance leased assets	34,605,449	(5,751,425)	28,854,024	34,605,449	(2,982,989)	31,622,460
Infrastructure	2,054,196,280	(323,953,093)	1,730,243,187	1,806,720,998	(270,521,008)	1,536,199,990
Other property, plant and equipment	46,862,281	(20,445,290)	26,416,991	42,862,281	(15,250,285)	27,611,996
Assets Under Construction	1,349,657,445	-	1,349,657,445	1,176,941,114	-	1,176,941,114
Total	**3,543,369,642**	**(370,541,447)**	**3,172,828,195**	**3,117,295,011**	**(307,277,936)**	**2,810,017,075**

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Total
Land	465,000	-	-	-	-	-	465,00
Buildings	37,176,515	1,883,018	-	-	-	(1,867,985)	37,191,54
Finance Leased Assets	31,622,460	-	-	-	-	(2,768,436)	28,854,02
Infrastructure	1,536,199,991	-	-	247,475,281	-	(53,432,085)	1,730,243,18
Other property, plant and equipment	27,611,996	7,456,940	(2,088,014)	-	6,581	(6,563,931)	26,423,55
Assets Under Construction	1,176,941,114	422,088,885	-	(247,475,281)	(1,897,273)	-	1,349,657,44
	2,810,017,076	**431,428,843**	**(2,088,014)**	**-**	**(1,890,712)**	**(64,632,437)**	**3,172,834,75**

Figures in Rand	2017	2016

3. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss
Land	465,000	-	-	-	-	-	
Buildings	37,790,603	1,253,897	(20,000)	-	-	(1,847,985)	
Finance leased assets	24,119,347	10,936,810	-	-	(739,847)	(2,693,850)	
Infrastructure	1,436,673,197	-	-	148,440,601	492,694	(49,380,896)	(25,60
Other property, plant and equipment	31,158,070	3,184,650	(1,890,087)	-	-	(4,840,637)	
Assets Under Construction	860,773,965	464,607,750	-	(148,440,601)	-	-	
	2,390,980,182	**479,983,107**	**(1,910,087)**	**-**	**(247,153)**	**(58,763,368)**	**(25,60**

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.

4. **Intangible assets**

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,959,903	(2,362,346)	3,597,557	5,861,359	(2,362,345)	3,499,014

Reconciliation of intangible assets - 2017

	Opening balance	Other changes, movements	Amortisation	Total
Computer software	3,499,014	735,173	(636,630)	3,597,557

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	3,460,110	253,437	381,394	(595,927)	3,499,014

5. **Heritage assets**

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Reconciliation of heritage assets 2017

	Opening balance	Total

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5. Heritage assets (continued)

Art collections, antiquities and exhibits	131,100	131,100

6. Investments in controlled entities

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Alfred Nzo Development Agency		100.00 %	100.00 %	100	100

The carrying amounts of controlled entities are shown net of impairment losses.

7. Long term receivables

Long Term Receivables	1,088,862	1,021,368
	1,088,862	1,021,368
Provision for Impairment	(844,366)	(844,366)
	244,496	**177,002**

The long term receivables relate to car loans issued to former employees. These loans were issued at 8% per annum for 4 years.These loans have been owing since 2004. The loans have been handed over to the lawyers for collection.The recoverability of these amounts is not certain hence the provision for impairment

8. Investments

Designated at fair value		
Investec Long term investment	-	32,160,159
Nedbank Long term Investment	6,615,159	5,911,659
	6,615,159	**38,071,818**
	6,615,159	38,071,818
	-	-
Non-current assets	**6,615,159**	**38,071,818**
Current assets	-	-

Account	Cashbook 2017	Cashbook 2016	Bank Statement 2017	Bank Statement 2016	Total
Nedbank Account	**6,615,159**	5,911,659	**6,615,159**	5,206,232	**24,348,209**
Investec	-	32,160,159	-	32,160,159	**64,320,318**
	6,615,159	**38,071,818**	**6,615,159**	**37,366,391**	**88,668,527**

9. Operating lease liability

Current liabilities	(121,696)	(45,761)

The operating lease liability relates to leased office space at Matatiele and Cerdavile. The municipality also leases equipment for disaster management. The leases have annual escalation clauses and in line with GRAP 13 these have been straight-lined hence the lease liability.

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10. Information on post retirement benefits

Retirement benefit information

The municipality makes provision for post retirement benefits to eligible councillors and employees who belong to different pension schemes.

All councillors belong to Pension Fund for Municipal Councillors

Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by Pension Funds Act and include both defined benefit and defined contribution schemes. All these afore -mentioned schemes are multi employer plans and are subject to a tri annual or annual valuation.

DEFINED CONTRIBUTION SCHEMES

Currently the municipality is making contirbutions to 3 Defined contribution pension schemes namely Samwu National Provident Fund (SANPF), Municipal Councillors Pension Fund (MCPF), Cape Joint Pension Fund (CJPF)

GRAP 25 requires the disclosure of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution to these defined contribution schemes for the year

DEFINED BENEFIT SCHEMES

The municipality currently participates in Municipal Employees Pension Fund (MEPF), Government Employees Pension Fund(GEPF) Natal Joint Municipal Pension Fund (NJMPF), South African Local Authorities Pension Fund (SALA).

All these are multi employer schemes and sufficient information is not available for the municipality to fully comply with the requirements of GRAP 25 with regards to defined benefits scheme. Plan assets as one portfolio and not notionally allocated to each participating employer, the plan financial assets are not constructed separately for each participating employer but rather in respect of the whole plan including all participating employees. Contribution rates do not usually vary by participating employers.

The standard requires disclosure of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution paid to these defined benefit schemes in respect of this period.

11. Inventories

Consumable stores	4,789,277	2,601,309
Water	3,349,744	2,556,485
Stationery	-	390,986
	8,139,021	**5,548,780**

11.1 Water Losses

Water stock opening balance	206,060	205,846
Produced (volumes)	5,944,574	5,259,129
Less Water sales	(612,522)	(1,201,064)
Less Water Stock closing balance	(207,460)	(206,060)
	5,330,652	**4,057,851**
Cost of producing one cubic meter	**16**	**12**
Water loss in rands	86,071,195	**53,523,055**
Water loss as a % of produced	90	**77**

Figures in Rand	2017	2016

12. Receivables from exchange transactions

Consumer debtors - Water	19,188,777	13,845,795
Consumer debtors - Sewerage	913,550	2,100,763
Consumer debtors - Other	2,046,444	1,063,551
	22,148,771	**17,010,109**

Gross Amount

Water	98,875,647	88,525,868
Sanitation	12,752,273	12,273,490
Other	2,855,222	2,512,774
	114,483,142	**103,312,132**
Less Impairment Provision		
Water	(79,686,869)	(74,680,073)
Sanitation	(11,838,723)	(10,172,726)
Other	(829,901)	(1,470,346)
	(92,355,493)	**(86,323,145)**
Net Balances		
Water	19,188,778	13,845,795
Sewerage	913,550	2,100,764
Other	2,025,321	1,042,428
	22,127,649	**16,988,987**

Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

Water

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

Current (0-30 days)	1,631,025	2,419,690
31- 60 days	1,233,916	1,915,344
61-90 days	1,548,924	2,275,561
91-120 days	1,258,908	1,466,429
>120 days	93,202,874	80,448,644
	98,875,647	**88,525,668**

Sewerage

Current (0-30days)	314,587	222,098
31-60 days	304,152	210,308
61-90 days	295,071	207,105
91- 120 days	291,518	204,615
>120 days	11,546,946	11,429,364
	12,752,274	**12,273,490**

Other		
Current (0-30 days)	29,890	960,650
31-60 days	29,890	29,890
61 - 90 days	29,890	29,890
91-120 days	29,890	4,880
>120 days	2,735,663	1,487,464
	2,855,223	**2,512,774**

Summary of debtors by customer classification

Consumers		
Current (0-30 days)	1,015,872	1,169,128
31 60 days	782,390	1,060,061
61- 90 days	979,119	1,000,207
91-120 days	894,479	885,768
>120 days	69,067,776	58,573,608
Subtotal	72,739,636	62,688,772
Less Impairment Provision	(69,395,219)	(60,839,555)
	3,344,417	**1,849,217**

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Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, - (2016: -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Industrial/ Commercial		
Current (0-30 days)	422,845	1,766,540
31-60 days	359,633	612,507
61-90 days	393,242	931,051
91-120 days	386,305	599,143
>120 days	20,489,249	11,181,693
Subtotal	22,051,274	15,090,934
Less Impairment Provision	(10,558,801)	(9,624,034)
	11,492,473	**5,466,900**
Churches		
Current (0-30 days)	22,200	35,210
31-60 days	46,679	31,930
61-90 days	23,027	28,368
91-120 days	20,354	21,929
>120 days	1,330,645	1,522,378
Subtotal	1,442,905	1,639,815
Less Impairment Allowance	(1,388,968)	(1,611,377)
	53,937	**28,438**

The carrying amount of trade and other receivables are denominated in the following currencies:

National and Provincial Government		
Current (0-30 days)	514,584	631,761
31-60 days	379,256	451,045
61-90 days	478,497	552,931
91-120 days	279,178	169,083
>120 days	15,182,433	19,575,019
Subtotal	16,833,948	21,379,839
Less Impairment provision	(10,226,971)	(12,777,834)
	6,606,977	**8,602,005**
Other Sundry		
>120 days	1,415,380	2,512,774
Less allowance for impairment	(785,536)	(1,470,346)
	629,844	**1,042,428**
Total		
Current (0-30 days)	1,975,502	3,602,638
31-60 days	1,567,958	2,155,542
61-90 days	1,873,885	2,512,556
91-120 days	1,580,316	1,675,923
>120 days	107,485,482	93,365,472
Subtotal	114,483,143	103,312,131
Less Impairment Provision	(92,355,494)	(86,323,145)
	22,127,649	**16,988,986**

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Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	86,323,145	64,218,170
Provision for impairment	6,032,348	22,104,975
	92,355,493	**86,323,145**

Consumer debtors pledged as security

No consumer debtors were pledged as security during the year.

Credit quality of consumer receivables
The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assesed for indications of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continously monitors consumers and identified groups by reference to average payment history and incoporates this information into its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthly. No interest is charged on consumer receivables. An imputed interest has been calculated to comply with the provisions of GRAP 9 paragraph 15 of revenue recognition. The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables. Deposits are required to be paid for all water accounts opened.
None of the financial assets that are fully performing have been renegotiated in the last year.

13. Receivables from non-exchange transactions

Staff Loans	**1,053,251**	1,053,251
Sundry Debtors	-	(1)
Staff Debtors	-	25,487
	1,053,251	**1,078,737**

Receivables from non-exchange transactions pledged as security

There no other receivables that have been pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from exchange transactions that are neither past due nor impaired can be assesed for indicators of impairment. The municiplity considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continousely monitors the receivables by reference to average payment hitory and incorporates this information into its credit risk control. No external credit rating is perfomed.
None of the financial assets that were fully performing have been renegotiated in the last year.

14. VAT receivable

VAT	20,369,239	6,306,229

VAT is payable on a cash basis, once payment has been received from Debtors, then VAT is paid over to SARS.

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15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Short Term Deposits	9,708,128	27,356,523
Bank balances	185,482	9,012,821
	9,893,610	**36,369,344**

Short term deposits are investments with a maturity of less than 3 months and earn interests rates varying from 0% to 4.5% per annum.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
Main Account - Current Account # 62024932974	14,182,983	9,184,689	2,604,072	185,482	9,012,821	2,596,148
ANDM Main Account # 62474364553	7,446,960	27,581	7,345,088	7,446,960	6,402,566	7,345,088
Attic Account- Call Account: Account #62058639348	14,175	212,653	718,506	14,175	212,653	718,506
DBSA-MIG Front loading Account # 62425228732	2,528	5,748	5,442	2,528	5,748	5,442
Disaster Relief AC/Rural R.Asset #62454657720	517,655	1,158,507	498,870	517,655	1,494,956	498,870
Dwarf Capital Account #62027459371	25,424	8,536,574	432,674	25,424	3,066,982	432,674
EPWP Account # 62058637110	61,633	9,204	491,143	61,633	9,204	491,143
FMG	5,068	493,811	249,583	5,068	328,422	249,583
MWIG Grant/LED Capacity Account# 62033034448	32,153	2,060,879	99,612	32,153	2,060,879	99,612
MIG Account # 62065368328	99,564	306,269	388,924	99,564	306,269	388,924
MSIG Account # 62027455808	4,859	676,917	360,605	4,859	377,172	360,605
Reserve Fund Account # 62027456559	505,800	9,023,167	54,448,228	505,800	9,023,167	54,448,228
Rural Housing & Development Account # 62027456559	3,467	3,609,954	5,412,995	3,467	3,609,945	5,412,995
Sport & Recreation Account # 62025448855	154,372	7,043	7,641	154,372	7,043	7,641
Thetha/ ISDG Account # 62093560136	834,470	891,769	766,749	834,470	451,515	766,749
Total	**23,891,111**	**36,204,765**	**73,830,132**	**9,893,610**	**36,369,344**	**73,822,208**

Notes to the Financial Statements

Figures in Rand	2017	2016

16. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	8,531,749	11,930,560
- in second to fifth year inclusive	-	8,531,749
	8,531,749	20,462,309
less: future finance charges	(338,493)	(1,803,517)
Present value of minimum lease payments	**8,193,256**	**18,658,792**
Present value of minimum lease payments due		
- within one year	8,193,256	10,465,536
- in second to fifth year inclusive	-	8,193,256
	8,193,256	**18,658,792**
Non-current liabilities	-	8,193,256
Current liabilities	8,205,675	10,465,535
	8,205,675	**18,658,791**

The lease liability relates to motor vehicles acquired during the 2014/2015 and 2015/2016 financial years. The lease term is 32 months with effective interest rate 10.5%. The net book value as reported under note 3

The entity's obligations under finance leases are secured by the lessors charge over the leased assets.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	**(1)**
Municipal Systems Implementation Grant	**(1)**	-
Municipal Health Grant	-	**(1)**
WSOG	-	**3,934,635**
Infrastructure Skills Development Grant	**405,122**	**1**
Regional Bulk Grant	-	2,636,874
Rural Housing	-	1,327,254
	405,121	**7,898,762**

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Financial Statements

Figures in Rand	2017	2016

18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	1,389,405	(291,615)	-	1,097,790
Non Current Long Service	5,895,707	1,764,898	(1,574,143)	6,086,462
	7,285,112	**1,473,283**	**(1,574,143)**	**7,184,252**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	752,728	636,677	-	1,389,405
Non Current Long Service	5,956,482	-	(60,775)	5,895,707
	6,709,210	**636,677**	**(60,775)**	**7,285,112**

	2017	2016
Non-current liabilities	6,086,462	5,895,707
Current liabilities	1,097,790	1,389,405
	7,184,252	**7,285,112**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long- service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 438 (2016: 417) employees were eligible for Long Service Awards.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The principal assumptions used for the purpose of the acturial valuations were as folows		
Discount rate %	8	8
Cost Inflation Rate %	6	7
Net Effective Discount rate %	2	1
Expected retirement age - Females	60	60
Expected retirement age- Males	65	65
	-	-

Movements in the present value of the Defined Obligation were as follows:		
Balance at the beginning of the year	7,285,112	6,709,210
Current service cost	914,964	895,264
Interest cost	558,319	500,680
Benefits paid	(1,389,405)	(752,728)
Actuarial gains	(184,738)	(67,314)
Present Value of Fund at the end of the Year	**7,184,252**	**7,285,112**

Notes to the Financial Statements

Figures in Rand	2017	2016

18. Provisions (continued)

The amounts recognised in the Statement of Financial Performance are as follows

	2017	2016
Current service cost	914,964	895,264
Interest cost	558,319	500,680
Acturial gains	(184,738)	(67,314)
	1,288,545	**1,328,630**

The history of experienced adjustments is as follows

	2017	2016	2015	2014
Present Value of Defined Value Obligation	7,184,252	7,285,122	6,790,210	897,291

19. Long Term Loan

Annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An Investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan Refer to Appendix for more detail on Long term liabilities.

Development Bank of South Africa		
Non Current at Amortised Cost	7,408,437	8,070,300
Current at Amortised cost	892,645	839,564
	8,301,082	**8,909,864**

20. Payables from non exchange transactions

Unallocated Credits relate to customer deposits made into the municipality bank account but can not be allocated to a particular customer as the identity of the customer is unknown

Staff Loan	-	283,042
Unallocated	376,458	850,566
	376,458	**1,133,608**

21. Payables from exchange transactions

Trade creditors	2,449,720	8,515,269
Accruals	91,367,412	80,156,929
Accrued leave pay	17,938,232	10,365,683
Accrued bonus	4,102,307	3,770,142
Retentions	50,171,165	43,102,691
Third party payments	(1,862)	4,930,455
Alfred Nzo Development Agency	-	2,715
Vat accrual	-	(1,101,141)
Other creditors	151,656	-
Other Creditors	(709,260)	-
Debtors with credit balances	490,564	-
	165,959,914	**149,742,743**

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22. VAT payable

23. Revenue

Service charges	14,745,947	25,168,337
Rental of facilities and equipment	433,587	233,981
Agency services	26,323	19,915
Other income	2,171,278	4,243,442
Interest received - investment	17,847,268	10,154,811
Government grants and subsidies	957,611,832	903,403,357
Public contributions and donations	-	1,430,028
	992,836,235	**944,653,871**

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

Service charges	14,745,947	25,168,337
Rental of facilities and equipment	433,587	233,981
Agency services	26,323	19,915
Other income	2,171,278	4,243,442
Interest received	17,847,268	10,154,811
	35,224,403	**39,820,486**

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

Transfer revenue		
Government grants & subsidies	957,611,832	903,403,357
Public contributions and donations	-	1,430,028
	957,611,832	**904,833,385**

24. Service charges

Water charges	12,523,909	23,638,871
Sewerage and sanitation charges	2,222,038	1,529,466
	14,745,947	**25,168,337**

25. Rental of facilities and equipment

Premises	433,587	232,577
Venue hire	-	1,404
	433,587	**233,981**
Premises	433,587	233,981
Garages and parking	-	-
Facilities and equipment	-	-

26. Other income

Clearance fees	42,620	-
Fire Levy	21,736	1,922,482
Sundry Income	-	268,204
Tender Deposits	322,278	394,657
Sasseta	1,522,707	1,388,499
Insurance claim	261,937	269,600
	2,171,278	**4,243,442**

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Figures in Rand	2017	2016

27. Interest revenue

Interest revenue		
Call deposits	8,107,691	10,154,811
Interest on overdue debtors	9,739,577	-
	17,847,268	**10,154,811**

28. Transfers and subsidies

Other subsidies		
Other Grants	93,197,406	42,856,910
Free Basic Services	-	1,061,494
	93,197,406	**43,918,404**

Figures in Rand	2017	2016

29. Government grants and subsidies

Operating grants		
Equitable Share	387,046,635	364,950,000
Finance Management Grant	1,460,000	1,325,000
Municipal Health	-	634,847
Municipal Water Infrastructure Grant	-	91,071,000
Local Government SETA	649,525	163,091
Human Settlement Disaster Grant	-	500,000
National Heritage Grant	405,000	-
Attic	-	145,874
Energy Efficeincy and Demand Management	8,000,000	13,000,000
Rural Housing	1,327,253	1,565,299
Local Economic Development Capacity	-	300,000
Municipal Systems Improvement.Grant	-	930,000
Expanded Public Works Programme	6,006,001	4,853,000
Water Services Operation Grant	101,171,000	6,065,365
Municipal Infrastructure Grant	361,497,000	384,744,000
Regional Bulk Infrastructure Grant	83,297,538	27,088,241
Department of Transport	2,157,000	2,100,000
Sports and Culture	-	363,818
Water Conservation and Demand Management	-	279,491
Infrastructure Skills Development Grant	4,594,880	3,324,331
	957,611,832	**903,403,357**
	957,611,832	903,403,357

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and also to assist poor municipalites with financing their operational expenditure.

Expanded Public Works Programme

Current-year receipts	6,006,000	4,853,000
Conditions met - transferred to revenue	(6,006,000)	(4,853,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

EPWP grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and maintenance of buildings, low traffic volume roads and rural roads, basic services, infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure) other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land based livelihoods, social services programmes and community safety programmes.

Municipal Systems Improvement Grant

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

Conditions still to be met - remain liabilities (see note 17).

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The grant was used to establish and review policies, by laws, internal control systems and preparation of a GRAP compliant Asset Register. Funds for this grant were not received and no communication was received from treasury.

Figures in Rand	2017	2016

29. Government grants and subsidies (continued)

Finance Management Grant

	2017	2016
Current-year receipts	1,460,000	1,325,000
Conditions met - transferred to revenue	(1,460,000)	(1,325,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilse municipal systems. No funds have been withheld.

Municipal Infrastructure Grant

	2017	2016
Balance unspent at beginning of year	(1)	(1)
Current-year receipts	361,497,000	384,744,000
Conditions met - transferred to revenue	(361,496,999)	(384,744,000)
	-	(1)

Conditions still to be met - remain liabilities (see note 17).

The grant is meant to eradicate basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Department of Transport

	2017	2016
Current-year receipts	2,157,000	2,100,000
Conditions met - transferred to revenue	(2,157,000)	(2,100,000)
	-	-

The grant is used to supplement projects for the repair of roads and bridges damaged declared natural disasters.
Conditions still to be met - remain liabilities (see note 17).

Local Economic Development Capacity

	2017	2016
Balance unspent at beginning of year	-	300,000
Current-year receipts	-	(300,000)
	-	-

Conditions still to be met - remain liabilities (see note 17)
The grant is meant to assist in local econmic development and the promotion of tourism. No funds have been withheld .

Municipal Health

	2017	2016
Balance unspent at beginning of year	(1)	634,847
Conditions met - transferred to revenue	1	(634,848)
	-	(1)

Conditions still to be met - remain liabilities (see note 17).

The grant is a contribution towards addressing health issues in the areas of local municipalities in the district.

Water Serivces Infrastructure Grant

	2017	2016
Balance unspent at beginning of year	3,934,635	-
Current-year receipts	191,171,000	10,000,000

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29. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(101,171,000)	(6,065,365)
Recalled by Treasury	(3,934,635)	-
	-	**3,934,635**

Conditions still to be met - remain liabilities (see note 17).

The grant is meant to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainabilty in prioritised district municipalities.

Water Conservation and Demand Management

Balance unspent at beginning of year	-	279,491
Conditions met - transferred to revenue	-	(279,491)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The grant has been allocated to assist the municipality to establish water conservation and demand management systems

Sports and Culture

Balance unspent at beginning of year	-	363,818
Conditions met - transferred to revenue	-	(363,818)
	-	-

To facilitate sport and recreation in participation and employment in partnership with relevant stakeholders.
Conditions still to be met - remain liabilities (see note 17).

Disaster Human Settlement Grant

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

This grant is used to rehabilitate and reconstruct municipal infrastructure damaged by disasters and to provide for the immediate release of funds for disaster response.
Conditions still to be met - remain liabilities (see note 17).

Infrastructure Skills Development Grant

Balance unspent at beginning of year	1	324,332
Current-year receipts	5,000,000	3,000,000
Conditions met - transferred to revenue	(4,594,879)	(3,324,331)
	405,122	**1**

To recruit unemployed graduates into municipalities to be trained as per the requirements of the relevant statutory councils within the built environment.
Conditions still to be met - remain liabilities (see note 17).

Regional Bulk Grant

Balance unspent at beginning of year	2,636,874	545,342
Current-year receipts	80,660,664	29,179,773
Conditions met - transferred to revenue	(83,297,538)	(27,088,241)

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Figures in Rand	2017	2016

29. Government grants and subsidies (continued)

	-	2,636,874

Conditions still to be met - remain liabilities (see note 17).

The grant was used for construction of dams which will provide sustainable water supply to the communities of Umzimvubu and Matatiele local municipality areas. The grant is transfered from DWA.

Fire and Emergency

	2017	2016
Balance unspent at beginning of year	-	868,661
Other	-	(868,661)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Attic

	2017	2016
Balance unspent at beginning of year	-	145,874
Conditions met - transferred to revenue	-	(145,874)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs , home based care kits,etc. No funds have been withheld.

Rural Housing

	2017	2016
Balance unspent at beginning of year	1,327,254	2,892,553
Conditions met - transferred to revenue	(1,327,254)	(1,565,299)
	-	1,327,254

To provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk - dependant services are not viable.
Conditions still to be met - remain liabilities (see note 17).

Municipal Water Infrastructure Grant

	2017	2016
Current-year receipts	-	91,071,000
Conditions met - transferred to revenue	-	(91,071,000)
	-	-

To facilitate the planning, accleration and implementation of various projects that will ensure water supply to communities identified as not receiving a water supply service.
Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Energy Efficiency

	2017	2016
Current-year receipts	8,000,000	13,000,000
Conditions met - transferred to revenue	(8,000,000)	(13,000,000)

Notes to the Financial Statements

Figures in Rand	2017	2016

29. Government grants and subsidies (continued)

To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.
Conditions still to be met - remain liabilities (see note 17).

30. Public contributions and donations

Public contributions and donations	-	1,430,028

Conditions still to be met - remain liabilities (see note 17)

Provide explanations of conditions still to be met and other relevant information

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Figures in Rand	2017	2016

31. Employee related costs

Basic	142,315,656	133,275,070
Bonus	8,212,558	7,478,376
Medical aid	6,976,103	6,266,944
UIF	854,999	798,547
SDL	1,632,734	1,500,109
Leave pay provision charge	10,301,494	2,397,617
Defined contribution plans	13,727,316	12,125,352
Overtime payments	3,790,380	4,117,386
Long-service awards	696,143	686,354
Transport allowances	13,018,842	9,497,800
Housing benefits and allowances	7,561,118	7,530,059
Standby Allowances	1,217,738	1,211,778
Shift Allowances	12,258,233	10,615,933
Bargaining Council	43,476	40,948
Defined Benefits : Long Service Awards	-	511,587
	222,606,790	**198,053,860**

Remuneration of Municipal Manager

Annual Remuneration	958,112	911,055
Car Allowance	76,902	89,231
Annual Bonus	77,645	53,295
Contributions to UIF, Medical and Pension Funds	322,987	528,117
Housing	138,423	-
	1,574,069	**1,581,698**

Remuneration of Chief Finance Officer

Annual Remuneration	159,490	407,576
Car Allowance	30,000	122,386
Annual Bonus	9,973	88,712
Contributions to UIF, Medical and Pension Funds	-	391,705
Other	-	132,029
	199,463	**1,142,408**

There was no substantive CFO until May 2017

Remuneration of Senior Manager - Community Services

Annual Remuneration	929,954	884,281
Car Allowance	137,471	133,810
Annual Bonus	72,020	67,399
Contributions to UIF, Medical and Pension Funds	248,400	430,315
Housing	136,620	-
	1,524,465	**1,515,805**

Remuneration of Senior Manager- Corporate Services

Annual Remuneration	394,843	884,281
Car Allowance	97,667	266,490
Annual Bonus	73,527	67,399
Contributions to UIF, Medical and Pension Funds	53,315	411,505
Housing Allowance	59,349	226,946
	678,712	**1,856,621**

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Figures in Rand	2017	2016

31. Employee related costs (continued)

The Corporate Services Manager was released from her duties effective from December 2016.

Remuneration of Senior Manager -Technical Services

Annual Remuneration	929,954	932,359
Car Allowance	326,579	258,500
Annual Bonus	75,363	62,569
Contributions to UIF, Medical and Pension Funds	162,812	307,544
Housing Allowance	33,099	-
	1,527,807	**1,560,972**

Remuneration of Senior Manager -Planning and Economic Development

Annual Remuneration	929,951	557,377
Car Allowance	74,641	147,359
Annual Bonus	63,343	62,569
Contributions to UIF, Medical and Pension Funds	179,140	47,168
Housing Allowance	268,709	288,771
	1,515,784	**1,103,244**

32. Remuneration of councillors

Executive Major	-	484,154
Mayoral Committee Members	-	3,041,321
Councillors	8,804,757	4,765,134
Chief Whip	-	397,036
	8,804,757	**8,687,645**

Remuneration of Councillors

Executive Mayor	664,966	484,154
Deputy Mayor	507,513	-
Speaker	531,971	-
Chief Whip	498,724	397,036
Mayoral Committe	3,299,652	3,041,321
Councillors	3,301,931	4,765,134
	8,804,757	**8,687,645**

The new Council was pronounced on the 10th of August 2016. Old Councillors received remuneration for one month in July 2017.

33. Litigation expenditure

Legal Fees	2,817,114	14,839,908

34. Depreciation and amortisation

Property, plant and equipment	65,836,335	58,805,337

Notes to the Financial Statements

Figures in Rand	2017	2016

35. Finance costs

Trade and other payables	88,710	-
Finance leases	1,465,024	-
Late payment interest	-	2,748,230
Interest on Loan	964,985	3,678,577
	2,518,719	**6,426,807**

36. Debt impairment

Debt impairment	6,032,348	22,128,617

37. Bulk purchases

Water	6,447,742	5,037,621

38. Contracted services

Professional Services	-	5,420,636
Security Services	13,414,998	10,414,557
Specialist Services	759,697	-
Other Contractors	33,356,237	15,229,665
	47,530,932	**31,064,858**

Notes to the Financial Statements

Figures in Rand	2017	2016

39. General expenses

Advertising	1,611,944	449,998
Auditors fees	6,878,996	7,036,291
Bank charges	755,811	978,556
Cleaning	555,654	170,062
Consulting and professional fees	26,163,665	-
Consumables	7,532,720	4,085,905
Fines and penalties	-	1,665,159
Hire	-	1,658,588
Insurance	589,802	802,288
Community development and training	-	4,020,512
Conferences and seminars	11,235	13,650
IT expenses	-	2,793,066
Marketing	1,742,500	1,928,598
Promotions and sponsorships	-	20,365
Magazines, books and periodicals	(5,830)	100,563
Fuel and oil	3,260,339	4,140,412
Placement fees	211,171	190,047
Printing and stationery	642,326	88,157
Protective clothing	1,995,715	2,483,567
Subscriptions and membership fees	102,109	2,444
Telephone and fax	7,403,017	6,242,977
Training	1,798,489	2,443,158
Travel - local	16,129,474	12,911,277
Electricity	12,260,440	11,447,931
Accomodation	8,964,160	4,819,699
Audit Committee	334,312	388,313
Catering and Venue Hire	9,863,820	2,961,592
Environmental Management	-	25,740
Fire and Rescue Services	-	317,601
Licence fees	1,254,244	2,295,629
Occupational Health and Safety	-	1,175,663
Other grant expenses	-	865,376
Other expenses	25,521,677	41,557,941
	135,577,790	**120,081,125**

40. Auditors' remuneration

Fees	6,878,996	7,036,291

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Notes to the Financial Statements

Figures in Rand	2017	2016

41. Cash generated from operations

	2017	2016
Surplus	329,752,709	386,507,607
Adjustments for:		
Depreciation and amortisation	65,836,335	58,805,337
Gain on sale of assets and liabilities	-	4,408,099
Gain on discontinued operations	1,111,536	-
Impairment loss on non-current assets	(184,738)	(67,314)
Debt impairment	6,032,348	22,128,617
Movements in operating lease assets and accruals	75,935	45,761
Movements in provisions	(100,860)	575,902
Provision for leave pay	7,572,649	3,770,142
Other non-cash items	1,000,781	(10,298,364)
Changes in working capital:		
Inventories	(2,590,241)	401,063
Receivables from exchange transactions	(11,171,010)	(11,532,039)
Other receivables from non-exchange transactions	25,486	33,438
Payables from exchange transactions	16,217,177	(36,785,372)
VAT	(14,063,010)	28,175,823
Unspent conditional grants and receipts	(7,493,641)	2,178,693
Payables from Non Exchange Transactions	(578,230)	(8,878,166)
	391,443,225	**439,469,225**

42. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Unlisted Investments	-	-	100	100
Long term Investments	6,615,159	-	-	6,615,159
Long Term Receivables	-	244,496	-	244,496
Trade and other receivables from exchange transactions	-	22,148,771	-	22,148,771
Other receivables from non-exchange transactions	-	1,053,251	-	1,053,251
Cash and cash equivalents	9,893,610	-	-	9,893,610
VAT receivable	20,369,239	-	-	20,369,239
	36,878,008	23,446,518	100	60,324,626

Financial liabilities

	At amortised cost	Total
Finance lease Obligation	8,205,675	8,205,675
Long term loan	8,301,081	8,301,081
Unspent conditional grants	405,121	405,121
Trade and other payables from exchange transactions	165,959,915	165,959,915
VAT payable	5,916,312	5,916,312
Operating lease liability	121,696	121,696
Payables from non exchange transactions	376,458	376,458
	189,286,258	189,286,258

2016

Financial assets

Notes to the Financial Statements

Figures in Rand	2017	2016

42. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Loans to economic entities	-	**100**	100
Long term investments	**38,071,818**	-	38,071,818
Long term receivables	-	**177,002**	177,002
Trade and other receivables from exchange transactions	-	**17,010,109**	17,010,109
Other receivables from non-exchange transactions	-	**1,078,737**	1,078,737
Cash and cash equivalents	**36,369,344**	-	36,369,344
VAT receivable	-	6,306,229	6,306,229
	74,441,162	**24,572,177**	**99,013,339**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	**18,658,791**	18,658,791
Long term loan	**8,909,864**	8,909,864
Payables	**149,742,738**	149,742,738
Unspent conditional grant	**7,898,762**	7,898,762
Payables from non exchange transactions	**954,688**	954,688
	186,164,843	**186,164,843**

43. Commitments

Authorised capital expenditure

	2017	2016
Approved and Contracted for		
• Property, plant and equipment	825,742,473	1,310,562,980
Total capital commitments		
Already contracted for but not provided for	825,742,473	1,310,562,980

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - Buildings (expense)

	2017	2016
Minimum lease payments due		
- within one year	300,451	163,806
- in second to fifth year inclusive	1,347,999	772,580
- later than five years	918,899	1,152,157
	2,567,349	**2,088,543**

	2017	2016
Operating Leases Other Equipment		
Within one year	281,043	223,118
In second to fifth year	-	215,718
	281,043	**438,836**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. **No contingent rent is payable.**

44. Contingencies

Contingent Liabilities

	2017	2016
In 2006 Malukazi Projetc Mnagers issued summons for services rendered in the sanitation programme	1,914,259	1,914,259
In 2008 summons were issued by Affinity Solutions (Pty) Ltd for services rendered. The municipality is defending the matter. A trial date is awaited.	313,505	313,505
In 2009 Z Mgwebi issued summons for damages emanating from failure to act by the municipality it being alleged the municipality failed to assits her together with her minor children to claim from the Provident fund. The matter is defended by the municipality. The matter is now in pleading stage	1,200,000	1,200,000
In this matter summons were issued against the municipality for payment of the sum R115 000 for services rendered it being allged that the service provider was appointed to render certain services. The matter is being defended.	115,000	115,000
During 2010 J and G Enterprises issued summons for financial damages it being alleged that the municipality stopped them form performing their contract. The matter is being defended by the municipality . The matter is in pleading stage	1,541,600	1,541,600
In 2010 Zolani Gulwa issued summpns against the municipality for breach of contract of employment in that the municipality failed to pay him in terms of the contract. The municipality is defending the matter and it is pending in the high court. The matter is in pleading stage.	566,189	566,189
Sinezipho Urban and Rural Development claims against the municipality for allged termination of contract. The municipality is defending the matter	1,544,713	1,544,713
ANDA was mandated by council to mobilise funding for ANDM water infrastructure project. ANDA then entered into an agreement with Gelstalt. Gelstalt has initiated legal proceddings against ANDM and ANDA. The ANDM legal team is disputing any and all Gelstalt claim. The above is disclosed in the financial statements without prejudice.	10,899,400	10,899,400
During 2007 Jack Zulu issued summons against the municipality for specific performance, it being allged that he was appointed by the municiplaity to render services at Umzimnkulu Area (previous dispensation) and the municipality failed to pay him in terms of the contract. The municipality denies that the services were rendered. Pleadings closed and a trial date is awaited.	17,250	17,250
During 2008 P Mabandla issued summons against the municipality for goods supplied and services rendered to the municipality at the latters special instance and request. The municipality denies this. Pleadings closed and the trial date is awaited	6,572	6,572
In 2008 M J Phirimane issued summons against the municipality for services rendered. The municipality is defending the matter. A trial date is awaited.	28,200	28,200
Rob Potow Irrigation issued summons against the municipality for failure to pay for for material supplied in term of a vebal agreement. The municipality is defending the matter. The outcome is not certain at this stage.	24,522	24,522
Ernst Zellhuber vs ANDM, allged non payment in lieu of financial services rendered	-	89,537
Sihlangane financial services cc vs ANDM, allged non payment in lieu of financial services	-	235,585
SLK Security Services and cleaning vs ANDM, alleged breach of contract in lieu of security services rendered.	-	686,619
Ikamva Lomutsa Nojola vs ANDM, Alleged breach of contract in lieu of supply and delivery branding material	-	40,072
Hlumie Security vs ANDM, alleged breach of contarct in lieu of security services	-	577,500
M Magigaba Inc vs ANDM, allged non payment of money in lieu of services rendered	-	106,682
Alleged failure to pay for a crawler sprinkler	30,700	-
Amangcuse Security and cleaning VS ANDM	705,346	-
Alleged non payment in lieu of supply and delivery of tents , toilets, and heaters etc.	1,289,050	-
Letter of demand received in lieu of specialist consultancy services rendered ANDM vs Moko Corporate	375,927	-
Ayanda Mafunda vs ANDM	16,508	-
ANDM vs Mafulo Investments	200,000	-
Supa Brick Tile vs ANDM	127,782	-
ANDM vs ANDMv Ronnies Motors	250,000	-
ANDM vs PDNA	68,400	-
ANDM vs Don Boti	25,187	-
Natal Joint Municipal Pension Fund vs ANDM	147,[illegible]	-
Eugene Nel and Anand Jayraj v ANDM	2,990,417	-

Notes to the Financial Statements

Figures in Rand	2017	2016
44. Contingencies (continued)		
Sikhokele Maphukutha VS ANDM	6,600,000	-
Uvikela Security vs ANDM	333,192	-
ANDM vs Arule Security	1,392,679	-
ECDC vs ADNM	114,240	-
	32,838,275	**19,907,205**

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 50, civil proceedings have commenced against the employees concerned to recover an amount of -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

	2017	2016
ANDM vs Sinothando Mtshengu-failure to pay back loans advanced to employee	-	62,054
ANDM vs Elvin Mkowando Chirwa-failure to pay back loans advanced	-	71,731
The municipality has instituted a claim against MP Civils for alleged failure to deliver a crawler sprinkler purchased in terms of a verbal contract. Settlement proposals are in the pipeline and the outcome of the case is still not certain	-	30,700
ANDM vs Vukile Selonyane- Default of payment in lieu of loans advanced to an employee	-	21,322
Default on Loan payment	-	17,000
Accident claim	-	6,907
ANDM vs Bulelani Airlington Mabi-Claim arising from a motor vehicle accident	-	1,079
ANDM vs Thanduxolo Malusi-Default of payment in lieu of loans advanced to an employee	-	84,328
ANDM vs Suti - Claim arising from a motor vehicle accident	-	20,987
ANDM vs N Magagu	6,907	-
ANDM vs Bmambi	1,097	1,097
	8,004	317,205

45. Related parties

All Related Part transactions are conducted at arms length, unless stated otherwise.

Declarations of interests were made by councillors and or management of the municipality of any relationship with business during the year.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from I July 2004. Loans, together with conditions thereof, granted prior to this date are disclosed in note 7 to the Annual Financial Statements.

The municipality funded the Alfred Nzo Development Agency (ANDA) which is a wholly owned agency. The following details of the grants are provided

Grant to ANDA	**Grants issued 2017**	**Grants issued 2016**	**Closing balance**
Grant issued	19,580,694	18,459,856	38,040,550

Compensation to accounting officer and other key management		
Short-term employee benefits	9,463,836	8,565,600
Defined contribution plans	27,246,763	30,070,475
	36,710,599	**38,636,075**

46. Prior period errors

Prior period has been amended to account for prior period errors

46. Prior period errors (continued)

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

The correction of the error(s) results in adjustments as follows:

46. Prior period errors (continued)

Statement of Financial Performance for the year ended 2016	Balance as previously reported	Change in Accounting policy	Prior period error	Reclassified	Restated Balance
Service charges	25,668,244	-	(499,907)	-	25,168,337
Rental of facilities	233,981	-	-	-	233,981
Agency services	19,915	-	-	-	19,915
Other income	3,208,442	-	1,035,000	-	4,243,442
Interest received - investment	11,871,083	-	(1,716,272)	-	10,154,811
Government grants and subsidies	902,768,510	-	634,847	-	903,403,357
Public contributions and donations	1,430,028	-	-	-	1,430,028
Revenue Total	945,200,203	-	(546,332)	-	944,653,871
General Expenses	(119,100,778)	-	(980,347)	-	(120,081,125)
Employee Related Costs	(198,473,196)	-	419,336	-	(198,053,860)
Remuneration of Councillors	(8,687,645)	-	-	-	(8,687,645)
Litigation Expenditure	(14,071,138)	-	(768,770)	-	(14,839,908)
Debt Impairment	(22,128,617)	-	-	-	(22,128,617)
Depreciation and amortisation	(58,862,137)	-	56,800	-	(58,805,337)
Finance Costs	(6,529,442)	-	102,635	-	(6,426,807)
Repairs and maintanance	(42,865,055)	-	(1,663,932)	-	(44,528,987)
Bulk purchases	(5,349,607)	-	311,986	-	(5,037,621)
Contracted services	(31,033,569)	-	(31,289)	-	(31,064,858)
Transfers and subsidies	(43,906,230)	-	(12,174)	-	(43,918,404)
Gain or loss on disposal	(4,408,099)	-	-	-	(4,408,099)
Acturial gains or loss	67,314	-	-	-	67,314
Oerating leases	-	-	(232,310)	-	(232,310)
Surplus for the year	**389,862,004**	**-**	**(3,344,397)**	**-**	**386,507,607**

Statement of Financial Position as at 30 June 2016	Balances as previously reported	Prior period errors	Reclassified	Restated Balance
Inventories	5,792,979	(244,199)	-	5,548,780
Receivables from exchange transactions	30,724,053	(13,713,944)	-	17,010,109
Receivables from non- exchange transactions	1,078,737	-	-	1,078,737
VAT Receivable	6,172,002	134,227	-	6,306,229
Cash and cash equivalents	36,375,313	(5,969)	-	36,369,344
Property Plant and Equipment	2,812,293,995	(2,276,918)	-	,810,017,077
Intangible Assets	3,117,620	381,394	-	3,499,014
Heritage Assets	131,100	-	-	131,100
Investments in Controlled Entities	100	-	-	100
Long term Receivables	115,463	61,539	-	177,002
Investments	39,788,091	(1,716,273)	-	38,071,818
Subtotal	2,935,589,453	(17,380,143)	-	:,918,209,310
Finance Lease Obligation	(10,585,841)	120,306	-	(10,465,535)
Operating lease	-	(45,761)	-	(45,761)
Payables from exchange transactions	(150,277,711)	534,973	14,135,825	(135,606,913)
Unspent Conditional Grants	(8,533,610)	634,848	-	(7,898,762)
Provisions	(1,389,405)	-	(14,135,825)	(15,525,230)
Current Portion of Long Term Loan	(839,564)	-	-	(839,564)
Payables from non exchange from transactions	(1,133,608)	-	-	(1,133,608)
Finance Lease obligation	(5,750,980)	(2,442,276)	-	(8,193,256)
Provisions	(5,895,707)	-	-	(5,895,707)
Long Term Loan	(8,070,300)	-	-	(8,070,300)
Government Grants reserve	(1,517,942,029)	-	-	,517,942,029)
Opening Accumulated surplus	(835,318,694)	15,054,736	-	(820,263,958)
	389,862,004	**(3,523,317)**	**-**	**386,328,687**

Figures in Rand	2017	2016

46. Prior period errors (continued)

Statement of financial position

	2017	2016
Accumulated Surplus		
Finance lease adjustments	-	1,695,546
2014/15 Unrecorded expenses		162,696
Correction of 2014/15 invalid accruals		(1,458,715)
Correction of asset balances misstated		2,623,267
Correction of retention balances misstated		(1,225,544)
Debtors adjustment		13,175,787
Depreciation of unbundled assets		81,706
		15,054,743

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46. Prior period errors (continued)

Statement of Financial Performance

Service charges
A reconciliation of the service charges revenue in the general ledger to the revenue per the billing system for 2015/16 was perfomed and this picked some processing errors when the journals were being posted into the general ledger. It was discovered that some adjustments done in sebata which were made to reduce the revenue had been done the opposite way in the general ledger. As a result revenue for water had been overstated by R431 610.7 while sanitation revenue had been overstated by R11 986. This gave rise to an overall mistatement of R499 907.

Interest received
A bank confirmation of the Investec Investment for the municipality done at 30 June 2016 revealed that the municipality had overstated its investement by R1 7 16 272. This was not adjusted before the finalisation of the 2015/16 financial statements leading to an audit exception. The exception has thus been adressed by the adjustment of the investment to tie to the confimed amount. The result of this is that the interest income for 2015/16 was adjusted downwards by R1 716 272

Government grants & subsidies
During the year 2015/16, R634 847 was spend on the remuneration of the health personnel in accordance with the provisions of the municipal health grant. However, the amount spend was not recognised as revenue in the period resulting in the amount remaing as an uspent conditional grant. This has now been corrected resulting in the grant income increasing by R634 847

Other Income
Two contractors failed to deliver on the projects that they were working on and were dully penalised in accordance with the provisions of the contracts. The penalties were deducted from the money due to the contractors but the income to the municipality was not diclosed as income on the AFS and insted it had been offset against the project cost. This has been corrected by realising the penalties as income. The amount involved is R1 035 000

Employee related cost
A review of the 2015/16 accruals revealed that salaries for fire fighters for the month of June 2016 amounting to R355 640 had been accrued for at year en despite them having been paid in June 2016. The accrual was thus reversed to correct the mistake. Also Managers salaries for the year ending June 2016 had been overpaid by R63 000 and thus these were corrected by raisng them as debtors while reducing the salaries bill.

Litigation Expenses
A search for unrecorded liabilities was conducted to ensure completeness of the payables for the municpality at 30 June 2016. The search covered 3 months from July to September 2016. The results showed that some liabilities for the year ended 30 June 2016 had not been accrued for at year end. As a result these had to be accrued for and the effect of this was that legal costs had to be adjusted by R768 770

Finance costs
Finance lease costs for the year were incorrectly computed as a result of a wrong NPV of the minimum lease payments figure. The lease liability figure and the value of the underlying assets were adjusted and this resulted in the finance lease costs being adjusted downwards by R102 635.
Depreciation
Depreciation expenses was revised downwards by 56 800 as a result of correction of asset costs following asset verification excercise
Repairs and maintanance
A search for unrecorded liabilites done to check the completeness of the recorded liabilities at 30 June 2016 revealed that about R10 million worth of liabilities had not been recored. These were then raised as accruals and the effect of this was to increase the repairs and maintanence previously recorded by R3 261 252 . However, it was also discovered that computer equipment of 1 597 319.97 was incorrectly charged to repairs vote instead of the asset vote. This was corrected by crediting the repairs vote. As a result the repairs and maintanace costs were restated by 1 663 932

Figures in Rand	2017	2016

46. Prior period errors (continued)

General expenses
Electricity costs of 263 000 were not accrued for at year end , Security costs of 120 000 werenot accrued for, accomodation costs amounting to 250 000 were not accrued for, as well as 167 186 due to Nyalambisa services were also not accrued for at year end. These errors were picked and corrected. The total adjustment to general expenses amounted to R980 347

Bulk purchases
Invoices due to DWA for water supplies were overstated during the period under review. The overstatement was only picked after the financials had been finalised. Credit notes were passed to correct the mistake and the result was a downward adjustment of the initial water cost by R311 986

Statement of Financial Position

Cash and cash equivalents

R5 969 relating to receivables was misposted to ISDG call account resulting in cash and cash equivalents being overstated by R5 969 and debtors by the same amount. This has been corrected hence the movement.

Receivables from exchange transactions

Both Water and Sanitation debtors were misstated as a result of processing error on the capturing of revenue figures as per Sebata into Munsoft(GL). Reconciliations done after finalisation of the June 2015/16 revealed these and thus correcting journals were passed. Water Debtors were overstated by R438 343 while saniation debtors were overstated by 11 986. In addition, processing errors had also resulted in the debtors account being credit with amounts exclusive of VAT thus understating debtors while VAT was overstated. In addition, water debtors were also mistated by 13 168 288.57 aring for billing errors in the previous years which ahd not been corrected. These adjusments totalled R13 713 944

Intangible assets
Adjustments were done to the intangible assets vote to correct the following items 1) Intangible assets costs were in 2015 wrongly charged to operational vote instead of intangible vote the cost involved was 253 436.85 , 2) Operation expense for 2014/15 amounting to 99 794 had been incorrectly posted to intangible assets vote. 3) Accumulated depreciation for intangible assets had been overstated by 383 738.32 , 4) Operational cost for GIS upgrade had been incorrectly charged to intangible assets The overall effect of these adjustments to the intangible assets was R299 074

VAT Receivable
Vat receivable was adjusted by R134 227 after a processing error on debtors receipts was picked.
Inventory
Inventory for the Mt Ayliff warehouse was discovered to be overstated by R 244 199 and was accordingly adjusted by the same amount.
Investments
The carrying value of the municipality's investment with Investec was overstated by R 1 716 272. The carrying value was higher than the bank confirmation but no adjustment was done at year end. The investment has thus been written down by R1 716 272.

Property, plant & Equipment

Description	Misstatement
Correction of accumulated deprecition	740,638
Correction of retentions	-2,297,015
Search for unrecorded liabilities	11,321,723

Figures in Rand		2017	2016

46. Prior period errors (continued)

Asset verification results	-3,763,211
	4,520,858

Payables from exchange transactions

Accruals
In the 2015-2016 financial year there were various misstatements to accruals as summarised below:

Description	Misstatement
Accruals not raised completely	20 489676.42
Invalid accruals incorrectly raised	-1,650,576.93
VAT on accruals not reversed	-242,776.82
Invalid accruals incorrectly raised	-1,068,593.00
Total	17 527 729.67

Creditors Control
A review of the creditors listing for the year ended 30 June 2016 was done and the review revealed a number of creditors had overstated balances. As a result credits notes were passed to adjust the balances. The creditors control account balance was thus written down by R17 203 472

Retentions
A review of the retentions list for the year ended 30 June 2016 was done. The review revealed that a number of retentions were not valid. The projects concerned had been completed and when the retentions were released they were mispsosted to either operational votes or asset votes. In addition surity deductions were not accounted for on some projetcs done in 2016. These have been adjusted. The overall adjustment for these comes to R2 351 536

Unspent conditional grants

Expenses incurred through grant funding were all not completely included in grant income recognition. This resulted in understatement of the Grant income for Municlapl Health and overstatement of unspent grant amount by R634 848.

Operating lease liability
The municipality leases office space at Matatiele and Cerdavile for which they have lease agreements for up to five years. In addition, the municipality also leases radio equipment for disaster management. The lease agreeements for the three lease provide for annual esacalation. GRAP 13, which deals with leases, requires that the lease payments be charged on a straight line basis over the lease period. This was not done for the prior period hence an adjustment has been done. The total lease liability arising from the adjustment for 2016 is R45 761

Figures in Rand	2017	2016

46. Prior period errors (continued)

Finance lease liability
A recomputation of the finance lease liability reveled that the use of a wrong prime interst rate resulted in a wrong lease liability being arrived at. As aresult the lease liability was adjusted upwards by R2 442 276

47. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

Credit risk

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

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

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

Financial instrument	**2017**	**2016**
Long Term Investments	6,615,159	38,071,818
Long Term Receivables	244,496	177,002
Receivables from Exchange Transactions	22,148,771	17,010,109
Receivables from Non Excahnge Transactions	1,053,251	1,078,737
Cash and Cash Equivalents	9,893,610	36,369,344
Vat Receivable	20,369,239	6,306,229

47. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is the risk that the fair value of future cashflows associated with a financial instruments will fluctuate in amoun as a result of market interest changes.

Financial Assets and liabilities that are sensitive to interest rate risk are cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest risk consist mainly of fixed deposits investments, long term debtors, other debtors,short term investments deposits and bank and cash balances.

The municipality limits its counterpart exposures from its money market investments operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterpart is managed by setting percentage exposure limits , which are included in the municipality's investments policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the council.

Consumer deposits comprise of a large number of rate payers, dispersed accross different industries and geographical areas. Periodic credit evaluations are perfomed on the financial condition of these debtors. Consumer debtors are presented net of provison for impairment.
In the case of debtors whose accounts become in arreas, it is endeavoured to collect such accounts by levying of penlaty charges, demand for payment, " restriction services and, as a last resort, " handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy

Long term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/impairment, where applicable

48. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the treasury will continue to provide funding for the ongoing operations for the municipality.
The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of opeartions in the near future, before taking into account governments grants. The key financial risks identified include:

-an inability to pay creditors within due dates
-negative key financial ratios
-net current liability was realised

The actions taken by management to mitigate the impact of these risks include:
-Management maintains detailed financial plans and manages working capital elements as necessary.
-Budget controls are in place to ensure that over- expenditure is eliminated
-The treasury will continue to provide funding to the municipality in the foreseeable future.
-Management are also investigating alternative funding sources to supplement government funding
-Council of the municipality has approved cost cutting measures in line with circular 82 of the MFMA wherein cost drivers like catering is not done at all, accommodation limited to R1 200 per month, travelling minimised to 1 000kms per month per person.
-The municipality has also started investing funds that will not be used immediately. The municipal budget has also been reduced in order to accommodate the accruals for the previous years.

AUDITOR - GENERAL
SOUTH AFRICA
1 1 DEC 2017

Notes to the Financial Statements

Figures in Rand	2017	2016

49. Unauthorised expenditure

Unauthorised expenditure	306,497,280	197,272,371
Current year additions	33,491,154	109,224,909
	339,988,434	**306,497,280**

50. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	16,943,541	643,083
Current year additions	378,644	16,300,458
	17,322,185	**16,943,541**

Incident		
Interest Paid to Eskom	81,066	52,241
Interest Paid to Telkom	5,669	36,560
Interest Paid to Umngeni Water	358	49
Interest Paid to Rheochem	-	6,816
DBSA arrear interest	4,739	-
National Health Laboratory	536	-
Natal Retirement	363	-
MCPF	211	-
Cape Joint	727	-
Pension	74	-
Acting Allowance - N R Xolo	79,631	-
Acting Allowance - M Matubatuba	205,270	-
	378,644	**95,666**

51. Irregular expenditure

Opening balance	591,282,434	398,629,051
Add: Irregular Expenditure - current year	2,044,500	192,653,383
	593,326,934	**591,282,434**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA fees)

Current year subscription / fee	1,665,994	1,182,599
Amount paid - current year	(1,665,994)	(1,182,599)
	-	-

Audit fees

Current year subscription / fee	7,624,201	7,024,294
Amount paid - current year	(5,970,410)	(7,024,294)
	1,653,791	-

PAYE and UIF

Opening balance	1,998,606	-
Current year subscription / fee	34,2[illegible]7	29,047,482
Amount paid - current year	(36,222,603)	(27,048,876)
	[illegible]	**1,998,606**

Notes to the Financial Statements

Figures in Rand	2017	2016

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

Pension and Medical Aid Deductions

	2017	2016
Opening balance	2,552,400	-
Current year subscription / fee	33,024,656	28,835,981
Amount paid - current year	(35,577,056)	(26,283,581)
	-	**2,552,400**

VAT

	2017	2016
VAT receivable	20,399,717	**6,306,229**
VAT payable	30,478	-
	20,430,195	**6,306,229**

VAT output payables and VAT input receivables are shown in note 14.

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

Councillors' arrear consumer accounts

No Councillors were in arrears as at 30 June 2017

Figures in Rand	2017	2016

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Munipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident	2017	2016
Inkonjane Community Radio- Impractical to obtain three quotes	18,972	-
Alfred Nzo Community Radi- Impractical to obtain three quotes	14,000	-
Abundant Media- Impractical to obtain thee quotes	26,095	-
Abundant Media- Impractical to obtain three quotes	26,095	-
Abundant Media- Impractical to obtain three quotes	26,095	-
Thekwini Toyota Kokstad-Sole service provider	6,967	-
Abundant Media- Impractical to obtain three quotes	26,094	-
Thekwini Toyota Kokstad- Sole service provider	8,843	-
Union Motors- Original dealer	26,650	-
Alfred Nzo Community Radio- Impractical to obtain three quotes	26,000	-
Bates and Johnstone Motors- Original dealer	9,125	-
Msukeni Development- Only palce that could accomodate 25 people	23,100	-
Sage VIP- Impractical to obatin three quotes	21,842	-
Thekwini Toyota Kokstad- Only service provider	12,513	-
Thekwini Toyota Kokstad- Only service provider	14,877	-
C& S Husqvarna- Only manufacturer	25,829	-
Veri Source Consulting- Only service provider	9,965	-
Inkonjane Community Radio- Impractical to obtain three quotes	29,000	-
Alfred Nzo Community Radio - Impractical to obtain three quotes	14,000	-
Inkonjane Community Radio- Impractical to obtain three quotes	18,972	-
Sage VIP- Only payroll used	25,910	-
Veri Source Consulting- Only service provider	2,583	-
Sage VIP-Only payroll used	26,067	-
Sage VIP- Only payroll system used	33,143	-
Johnstone's Kokstad- Only dealership	3,915	-
SAICE- only provider of training	45,000	-
Sage VIP- sole supplier of payslip stationery	9,595	-
Sage VIP- only payroll system used	30,370	-
Lwanduthando Investments- Emergency	32,400	-
SAICE- Impractical to obtain three quotes	45,000	-
Alfred Nzo Community Radio Station- impractical to obtain three quotes	22,807	-
Inkonjane Community Radio- Impractical to obtain three quotes	29,000	-
Thwekwin Toyota Kokstad- Only dealership	10,700	-
Alfred Nzo Community Radio- Impractical to obtain three quotes	26,000	-
Inkonjane Community Radio	29,000	-
Sage VIP- Only payroll used	13,353	-
Alfred Nzo Community Radio- Impractical to obtain three quotes	10,500	-
Times Media Eastern Cape-Only provincial newspaper	14,546	-
Johnstone Kokstad- Impractical to obtain three quotes	5,847	-
Mortimer Toyota Matatiele- only service provider	7,503	-
Inkonjane Community Radio- impractical to obatin three quotes	14,500	-
Disaster Management Institute of SA- only Institute in SA	63,400	-
Inkonjane Community Radio- impractical to obtain three quotes	18,972	-
Lungi Africa Quantity surveyors- only two quotes	195,000	-
Action IT-Only one quote received	197,391	-
RJN Consulting-only one quote received	197,000	-
Lungi Africa Quantity surveyors- two quotes received	198,902	-
Tshangana Attoneys- one quote received	198,500	-
Isanqola Construction-one quote received	302,000	-
Isanqola Construction - one quote received	429,500	-
	2,623,438	-