TOKOLOGO LOCAL MUNICIPALITY
(Registration number FS182)
Financial statements
for the year ended 30 June 2017

General Information

Legal form of entity — Tokologo is a Category B Local Municipality as defined by the Municipal Structures Act, (Act no 117)

Nature of business and principal activities — Tokologo Municipality is a local Municipality performing the functions as set out in the Constitution, (Act no 105 of 1996)

The following is included in the scope of operation

Council		**Joining date**	**Resignation date**
Executive Mayor/Speaker	Mr. BE Seakge	01 November 2003	Not applicable
Councillors	Mr. AF Bartleman	01 June 2011	30 September 2016
	Mrs. GP Deniacos	01 September 2016	Not applicable
	Ms. J Groenewaldt	10 August 2016	Not applicable
	Mr. BC Groep	10 August 2016	Not applicable
	Mr. MM Lentsa	01 June 2011	Not applicable
	Mr. HS Links	17 July 2013	31 August 2016
	Ms. GK Magomo	01 June 2011	Not applicable
	Ms. PP Maseko	07 August 2013	31 August 2016
	Mr. SA Merafe	10 August 2016	31 August 2016
	Ms. MG Nyamani	01 June 2011	Not applicable
	Ms. BE Seekoei	01 June 2011	31 August 2016
	Mr. SA Taje	10 August 2016	Not applicable

Grading of local authority — Low Capacity (Grade 2)

Accounting Officer — Mr. KJ Motlhale

Chief Finance Officer (CFO) — Ms. MO Masisi (Terminated)

Acting Chief Finance Officer — Mr. TD Matile

Registered office
Voortrekker Street
Market Square
Boshof
8340

Business address
Voortrekker Street
Market Square
Boshof
8340

Postal address
Private Bag X46
Boshof
8340

Bankers — First National Bank

Auditors — The Auditor - General of South Africa

Attorneys — Morobane Attorneys

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
DORA	Division of Revenue Act
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)
NERSA	National Energy Regulation of South Africa
SCM	Supply Chain Management
IDP	Intergrated Development Plan

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 judgments and estimates.

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 government grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 4 - 86 , which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2017 and were signed on its behalf by:

Mr. K J Motlhale	**Mr. TD Matile**
Municipal Manager	**Acting Chief Financial Officer**

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	4 633 619	4 484 258
Consumer receivables from exchange transactions	4	12 177 819	6 421 180
Inventories	5	235 643	57 459
Accrued Income	6	31 862	30 196
Receivables from non - exchange transactions	7	269 918	9 383 990
VAT receivable	8	12 297 113	1 854 299
		29 645 974	**22 231 382**
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	1 604 600	1 915 200
Investment property	10	2 822 355	2 822 355
Property, plant and equipment	11	658 004 925	580 286 047
Intangible assets	12	4 307	6 656
Investments	13	131 388	135 808
		662 567 575	**585 166 066**
Non-Current Assets		662 567 575	585 166 066
Current Assets		29 645 974	22 231 382
Total Assets		**692 213 549**	**607 397 448**
Liabilities			
Current Liabilities			
Bank overdraft	3	12 495 022	-
Consumer deposits	14	510 920	498 773
Employee benefit obligation	15	-	46 000
Finance lease obligation	16	39 572	493 221
Payables from exchange transactions	17	85 071 952	50 868 486
Provision - Landfill sites	18	700 528	280 424
		98 817 994	**52 186 904**
Non-Current Liabilities			
Employee benefit obligation	15	2 064 000	3 074 000
Finance lease obligation	16	110 904	20 531
Provision - Landfill sites	18	7 040 481	6 760 057
Long service awards	19	2 365 000	1 986 000
		11 580 385	**11 840 588**
Non-Current Liabilities		11 580 385	11 840 588
Current Liabilities		98 817 994	52 186 904
Total Liabilities		**(110 398 379)**	**(64 027 492)**
Assets		692 213 549	607 397 448
Liabilities		(110 398 379)	(64 027 492)
Net Assets		**581 815 170**	**543 369 956**
Accumulated surplus		581 815 170	543 369 956

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	38 339 641	20 268 481
Rendering of services		673 684	218 426
Rental of facilities and equipment	21	823 740	825 201
Dividends income	22	8 828	-
Insurance claims received	22	262 208	133 151
Interest income	23	10 821 894	8 305 537
Total revenue from exchange transactions		**50 929 995**	**29 750 796**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	4 537 592	3 474 970
Fines, Penalties and Forfeits		198 224	456 480
Transfer revenue			
Government grants & subsidies	25	178 103 773	102 930 807
Total revenue from non-exchange transactions		**182 839 589**	**106 862 257**
		50 929 995	29 750 796
		182 839 589	106 862 257
Total revenue	26	**233 769 584**	**136 613 053**
Expenditure			
Employee related costs	27	(36 907 066)	(35 794 569)
Remuneration of councillors	28	(2 576 771)	(2 438 565)
Depreciation and amortisation	29	(37 796 834)	(37 780 783)
Finance costs	30	(3 429 975)	(2 107 742)
Lease rentals on operating lease		(82 028)	(294 985)
Debt Impairment	31	(28 169 249)	(10 138 096)
Repairs and maintenance	32	(3 355 547)	(1 122 112)
Bulk purchases	33	(18 921 177)	(23 094 377)
Contracted services	34	(12 495 907)	(8 678 566)
General Expenses	35	(13 888 362)	(11 599 166)
Total expenditure		**(157 622 916)**	**(133 048 961)**
		-	-
Total revenue		233 769 584	136 613 053
Total expenditure		(157 622 916)	(133 048 961)
Operating surplus		**76 146 668**	**3 564 092**
Loss on disposal of assets and liabilities		(37 536 231)	(14 520)
Fair value adjustments	36	144 884	290 659
Loss on biological assets and agricultural produce	37	(310 107)	(279 710)
		(37 701 454)	**(3 571)**
Operating surplus/deficit		(37 701 454)	(3 571)
Surplus before taxation		38 445 214	3 560 521
Taxation		-	-
Surplus for the year		**38 445 214**	**3 560 521**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	542 831 537	542 831 537
Adjustments		
Prior year adjustments	(3 022 102)	(3 022 102)
Balance at 01 July 2015 as restated*	**539 809 435**	**539 809 435**
Changes in net assets		
Prior period errors	-	-
Net income (losses) recognised directly in net assets	-	-
Surplus for the year	3 560 521	3 560 521
Total recognised income and expenses for the year	3 560 521	3 560 521
Total changes	3 560 521	3 560 521
Restated* Balance at 01 July 2016	**543 369 956**	**543 369 956**
Changes in net assets		
Surplus for the year	38 445 214	38 445 214
Total changes	38 445 214	38 445 214
Balance at 30 June 2017	**581 815 170**	**581 815 170**

* See Note 45

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		9 331 615	7 895 941
Grants		178 103 773	100 340 200
Interest income		10 821 894	8 305 537
Dividends received		8 828	-
Other receipts		(46 236)	-
		198 219 874	116 541 678
Payments			
Employee costs		(38 849 356)	(37 891 134)
Suppliers		(15 076 253)	(41 430 046)
Finance costs		(3 429 975)	(1 628 703)
Other payments		292 571	-
		(57 063 013)	(80 949 883)
Total receipts		198 219 874	116 541 678
Total payments		(57 063 013)	(80 949 883)
Net cash flows from operating activities	40	**141 156 861**	**35 591 795**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(153 064 246)	(31 507 674)
Purchase of other intangible assets	12	-	(7 048)
Investments		-	27 005
Movement of biological assets that form part of an agricultural activity	9	(75 000)	-
Net cash flows from investing activities		**(153 139 246)**	**(31 487 717)**
Cash flows from financing activities			
Finance lease movements		(363 276)	(2 181 520)
Net increase/(decrease) in cash and cash equivalents		**(12 345 661)**	**1 922 558**
Cash and cash equivalents at the beginning of the year		4 484 258	2 561 700
Cash and cash equivalents at the end of the year	3	**(7 861 403)**	**4 484 258**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	24 746 292	15 066 185	**39 812 477**	38 339 641	**(1 472 836)**	**Note 53**
Rendering of services	246 200	-	**246 200**	673 684	**427 484**	**Note 53**
Rental of facilities and equipment	949 022	-	**949 022**	823 740	**(125 282)**	**Note 53**
Dividends income	3 000	-	**3 000**	8 828	**5 828**	**Note 53**
Other income 2	-	-	**-**	262 208	**262 208**	**Note 53**
Interest received - investment	9 028 244	-	**9 028 244**	10 821 894	**1 793 650**	**Note 53**
Total revenue from exchange transactions	**34 972 758**	**15 066 185**	**50 038 943**	**50 929 995**	**891 052**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	3 905 562	-	**3 905 562**	4 537 592	**632 030**	**Note 53**
Transfer revenue						
Government grants & subsidies	45 248 997	-	**45 248 997**	178 103 773	**132 854 776**	**Note 53**
Fines, Penalties and Forfeits	98 000	-	**98 000**	198 224	**100 224**	**Note 53**
Total revenue from non-exchange transactions	**49 252 559**	**-**	**49 252 559**	**182 839 589**	**133 587 030**	
'Total revenue from exchange transactions'	34 972 758	15 066 185	**50 038 943**	50 929 995	**891 052**	
'Total revenue from non-exchange transactions'	49 252 559	-	**49 252 559**	182 839 589	**133 587 030**	
Total revenue	**84 225 317**	**15 066 185**	**99 291 502**	**233 769 584**	**134 478 082**	
Expenditure						
Employee related costs	(33 436 961)	114 962	**(35 233 000)**	(36 907 066)	**(1 674 066)**	**Note 53**
Remuneration of councillors	(4 953 886)	-	**(2 586 000)**	(2 576 771)	**9 229**	**Note 53**
Depreciation and asset impairment	(750 286)	(15 000 001)	**(15 926 000)**	(37 796 834)	**(21 870 834)**	**Note 53**
Finance costs	(600 000)	400 000	**(614 000)**	(3 429 975)	**(2 815 975)**	**Note 53**
Lease rentals on operating lease	(600 000)	(28 828)	**(4 945 000)**	(82 028)	**4 862 972**	**Note 53**
Debt Impairment	(575 225)	(700 000)	**(1 275 000)**	(28 169 249)	**(26 894 249)**	**Note 53**
Repairs and maintenance	(3 695 584)	(618 500)	**(6 416 000)**	(3 355 547)	**3 060 453**	**Note 53**
Bulk purchases	(23 630 400)	7 430 400	**(16 250 000)**	(18 921 177)	**(2 671 177)**	**Note 53**
Contracted Services	(4 196 000)	(2 425 909)	**(4 040 000)**	(12 495 907)	**(8 455 907)**	**Note 53**
Transfers and Subsidies	(1 444 000)	-	**-**	-	**-**	**Note 53**
General Expenses	(10 562 392)	(4 271 562)	**(15 811 000)**	(13 888 362)	**1 922 638**	**Note 53**
Total expenditure	**(84 444 734)**	**(15 099 438)**	**(103 096 000)**	**(157 622 916)**	**(54 526 916)**	
	84 225 317	15 066 185	**99 291 502**	233 769 584	**134 478 082**	
	(84 444 734)	(15 099 438)	**(99 544 172)**	(157 622 916)	**(58 078 744)**	
Operating surplus	**(219 417)**	**(33 253)**	**(252 670)**	**76 146 668**	**76 399 338**	
Loss on disposal of assets and liabilities	-	-	**-**	(37 536 231)	**(37 536 231)**	**Note 53**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustments	(100 000)	50 000	**(50 000)**	144 884	**194 884**	**Note 53**
Loss on biological assets and agricultural produce	335 072	-	**335 072**	(310 107)	**(645 179)**	**Note 53**
	235 072	**50 000**	**285 072**	**(37 701 454)**	**(37 986 526)**	
	(219 417)	(33 253)	**(252 670)**	76 146 668	**76 399 338**	
	235 072	50 000	**285 072**	(37 701 454)	**(37 986 526)**	
Surplus before taxation	**15 655**	**16 747**	**32 402**	**38 445 214**	**38 412 812**	
Deficit before taxation	15 655	16 747	**32 402**	38 445 214	**38 412 812**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**15 655**	**16 747**	**32 402**	**38 445 214**	**38 412 812**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	24 991	-	**24 991**	235 643	**210 652**	**Note 53**
Operating lease asset	-	-	**-**	31 862	**31 862**	**Note 53**
Receivables from non - exchange transactions	4 860 817	-	**4 860 817**	269 918	**(4 590 899)**	**Note 53**
VAT receivable	-	-	**-**	12 297 113	**12 297 113**	**Note 53**
Consumer debtors	15 183 168	-	**15 183 168**	12 177 819	**(3 005 349)**	**Note 53**
Current portion of long-term receivables	29 046	-	**29 046**	-	**(29 046)**	**Note 53**
Cash and cash equivalents	323 726	-	**323 726**	4 633 619	**4 309 893**	**Note 53**
	20 421 748	**-**	**20 421 748**	**29 645 974**	**9 224 226**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	2 112 386	-	**2 112 386**	1 604 600	**(507 786)**	**Note 53**
Investment property	30 015 516	-	**30 015 516**	2 822 355	**(27 193 161)**	**Note 53**
Property, plant and equipment	637 725 754	-	**637 725 754**	658 004 926	**20 279 172**	**Note 53**
Intangible assets	-	-	**-**	4 307	**4 307**	**Note 53**
Investments	156 105	-	**156 105**	131 388	**(24 717)**	**Note 53**
	670 009 761	**-**	**670 009 761**	**662 567 576**	**(7 442 185)**	
Non-Current Assets	20 421 748	-	**20 421 748**	29 645 974	**9 224 226**	
Current Assets	670 009 761	-	**670 009 761**	662 567 576	**(7 442 185)**	
Total Assets	**690 431 509**	**-**	**690 431 509**	**692 213 550**	**1 782 041**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	39 572	**39 572**	**Note 53**
Payables from exchange transactions	12 357 452	-	**12 357 452**	85 071 952	**72 714 500**	**Note 53**
Consumer deposits	500 634	-	**500 634**	510 920	**10 286**	**Note 53**
Employee benefit obligation	5 446 231	-	**5 446 231**	-	**(5 446 231)**	**Note 53**
Provision - Landfill sites	-	-	**-**	700 528	**700 528**	**Note 53**
Bank overdraft	-	-	**-**	12 495 022	**12 495 022**	
	18 304 317	**-**	**18 304 317**	**98 817 994**	**80 513 677**	
Non-Current Liabilities						
Finance lease obligation	490 498	-	**490 498**	110 904	**(379 594)**	**Note 53**
Employee benefit obligation	3 120 000	-	**3 120 000**	2 064 000	**(1 056 000)**	**Note 53**
Provision - Landfill sites	13 673 787	-	**13 673 787**	7 040 481	**(6 633 306)**	**Note 53**
Long service awards	1 986 000	-	**1 986 000**	2 365 000	**379 000**	**Note 53**
	19 270 285	**-**	**19 270 285**	**11 580 385**	**(7 689 900)**	
	18 304 317	-	**18 304 317**	98 817 994	**80 513 677**	
	19 270 285	-	**19 270 285**	11 580 385	**(7 689 900)**	
	-	-	**-**	-	**-**	
Total Liabilities	**37 574 602**	**-**	**37 574 602**	**110 398 379**	**72 823 777**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Assets	690 431 509	-	**690 431 509**	692 213 550	**1 782 041**	
Liabilities	(37 574 602)	-	**(37 574 602)**	(110 398 379)	**(72 823 777)**	
Net Assets	**652 856 907**	**-**	**652 856 907**	**581 815 171**	**(71 041 736)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	652 856 907	-	**652 856 907**	629 394 263	**(23 462 644)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	21 932 792	-	**21 932 792**	44 831 596	**22 898 804**	Note
Grants	122 146 999	-	**122 146 999**	178 301 997	**56 154 998**	
Interest income	728 097	-	**728 097**	10 821 894	**10 093 797**	
Dividends received	1 000	-	**1 000**	-	**(1 000)**	
	144 808 888	**-**	**144 808 888**	**233 955 487**	**89 146 599**	
Payments						
Employee costs	(83 940 181)	-	**(83 940 181)**	(42 743 383)	**41 196 798**	
Suppliers	-	-	**-**	(54 081 932)	**(54 081 932)**	
Finance costs	(988 668)	-	**(988 668)**	(268 503)	**720 165**	
	(84 928 849)	**-**	**(84 928 849)**	**(97 093 818)**	**(12 164 969)**	
Total receipts	144 808 888	-	**144 808 888**	233 955 487	**89 146 599**	
Total payments	(84 928 849)	-	**(84 928 849)**	(97 093 818)	**(12 164 969)**	
Net cash flows from operating activities	**59 880 039**	**-**	**59 880 039**	**136 861 669**	**76 981 630**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(75 608 100)	-	**(75 608 100)**	(130 940 621)	**(55 332 521)**	
Decrease (Increase) in non-current debtor	11 736 094	-	**11 736 094**	-	**(11 736 094)**	
Purchase of biological assets that form part of an agricultural activity	-	-	**-**	(75 000)	**(75 000)**	
Proceeds from sale of biological assets that form part of an agricultural activity	-	-	**-**	42 193	**42 193**	
Purchase of other asset 1	-	-	**-**	1 754	**1 754**	
Other cash item	-	-	**-**	2 421 713	**2 421 713**	
Net cash flows from investing activities	**(63 872 006)**	**-**	**(63 872 006)**	**(128 549 961)**	**(64 677 955)**	
Cash flows from financing activities						
Movement in long service awards	-	-	**-**	379 000	**379 000**	
Finance lease movements	-	-	**-**	(586 626)	**(586 626)**	
Net cash flows from financing activities	**-**	**-**	**-**	**-**	**-**	
Net increase/(decrease) in cash and cash equivalents	(3 991 967)	-	**(3 991 967)**	8 311 708	**12 303 675**	
Cash and cash equivalents at the beginning of the year	4 484 258	-	**4 484 258**	4 484 258	**-**	
Cash and cash equivalents at the end of the year	**492 291**	**-**	**492 291**	**12 795 966**	**12 303 675**	

TOKOLOGO LOCAL MUNICIPALITY
(Registration number FS182)
Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	3 905 562	-	3 905 562	-		3 905 562	4 537 592		632 030	116 %	116 %
Service charges	24 746 292	15 066 185	39 812 477	-		39 812 477	38 339 641		(1 472 836)	96 %	155 %
Investment revenue	9 028 244	-	9 028 244	-		9 028 244	10 821 894		1 793 650	120 %	120 %
Transfers recognised - operational	(30 359 103)	-	(30 359 103)	-		(30 359 103)	45 303 831		75 662 934	(149)%	(149)%
Other own revenue	1 631 294	-	1 631 294	-		1 631 294	2 146 622		515 328	132 %	132 %
Total revenue (excluding capital transfers and contributions)	**8 952 289**	**15 066 185**	**24 018 474**	**-**		**24 018 474**	**101 149 580**		**77 131 106**	**421 %**	**1 130 %**
Employee costs	(33 436 961)	114 962	(33 321 999)	-	-	(35 233 000)	(36 907 066)	-	(1 674 066)	105 %	110 %
Remuneration of councillors	(4 953 886)	-	(4 953 886)	-	-	(2 586 000)	(2 576 771)	-	9 229	100 %	52 %
Debt impairment	(575 225)	(700 000)	(1 275 225)			(1 275 000)	(28 169 249)	-	(26 894 249)	2 209 %	4 897 %
Depreciation and asset impairment	(750 286)	(15 000 001)	(15 750 287)			(15 926 000)	(37 796 834)	-	(21 870 834)	237 %	5 038 %
Finance charges	(600 000)	400 000	(200 000)	-	-	(614 000)	(3 429 975)	-	(2 815 975)	559 %	572 %
Materials and bulk purchases	(23 630 400)	7 430 400	(16 200 000)	-	-	(16 250 000)	(18 921 177)	-	(2 671 177)	116 %	80 %
Transfers and grants	(1 444 000)	-	(1 444 000)	-	-	-	-	-	-	DIV/0 %	- %
Other expenditure	(19 153 976)	(7 294 799)	(26 448 775)	-	-	(31 212 000)	(67 703 236)	-	(36 491 236)	217 %	353 %
Total expenditure	**(84 544 734)**	**(15 049 438)**	**(99 594 172)**	**-**	**-**	**(103 096 000)**	**(195 504 308)**	**-**	**(92 408 308)**	**190 %**	**231 %**
Total revenue (excluding capital transfers and contributions)	8 952 289	15 066 185	24 018 474	-	-	24 018 474	101 149 580	-	77 131 106	421 %	1 130 %
Total expenditure	(84 544 734)	(15 049 438)	(99 594 172)	-	-	(103 096 000)	(195 504 308)	-	(92 408 308)	190 %	231 %
Surplus/(Deficit)	**(75 592 445)**	**16 747**	**(75 575 698)**	**-**		**(79 077 526)**	**(94 354 728)**		**(15 277 202)**	**119 %**	**125 %**

TOKOLOGO LOCAL MUNICIPALITY

(Registration number FS182)
Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	75 608 100	-	75 608 100	-		75 608 100	132 799 942		57 191 842	176 %	176 %
Surplus/(Deficit)	(75 592 445)	16 747	(75 575 698)	-	-	(79 077 526)	(94 354 728)	-	(15 277 202)	119 %	125 %
Capital transfers and contributions	75 608 100	-	75 608 100	-	-	75 608 100	132 799 942	-	57 191 842	176 %	176 %
Surplus (Deficit) after capital transfers and contributions	**15 655**	**16 747**	**32 402**	**-**		**(3 469 426)**	**38 445 214**		**41 914 640**	**(1 108)%**	**245 578 %**
Surplus (Deficit) after capital transfers and contributions	15 655	16 747	32 402	-	-	(3 469 426)	38 445 214	-	41 914 640	(1 108)%	245 578 %
Surplus/(Deficit) for the year	**15 655**	**16 747**	**32 402**	**-**		**(3 469 426)**	**38 445 214**		**41 914 640**	**(1 108)%**	**245 578 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	75 608 100	-	75 608 100	-		75 608 100	118 196 177		42 588 077	156 %	156 %

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.

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

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

1.1 Presentation currency

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

1.2 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.

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. For an analysis of managements assumptions supporting the going concern assumption refer to **note 46**. The municipal entity has embarked on implementing strategies which will strengthen its ability to continue as a going concern.

The most significant of these is that the entity has implemented a system to enhance the revenue collection and cash flow by improving on the debt recoverability processes.

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including.

Value in use of non-cash generating assets:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

Accounting Policies

1.4 Biological assets that form part of an agricultural activity

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.5 Investment property

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

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

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

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

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

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

Cost model

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

Item	**Useful life**
Property - land	indefinite

1.6 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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	3 - 30 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 - 30 years
Computer equipment	Straight line	2 - 3 years
Infrastructure (Water, Electricity, Sewerage, Roads and Paving)	Straight line	1 - 20 years
Community (Building, Recreational facilities and Security)	Straight line	1 - 30 years
Other property, plant and equipment	Straight line	3 - 30 years
Bins and containers	Straight line	5 years
Watercraft	Straight line	20 years
Specialised plant and equipment	Straight line	10 - 15 years
Specialised vehicles	Straight line	5 - 10 years

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

1.7 Intangible assets

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Average useful life
Licenses and franchises	1 year
Computer software, other	3 years

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

Accounting Policies

1.7 Intangible assets (continued)

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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.

Accounting Policies

1.8 Financial instruments (continued)

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 counter party has failed to make a payment when contractually due.

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

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

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

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

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

1.8 Financial instruments (continued)

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:

Other financial assets	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer deposits	Financial asset measured at amortised cost

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
Other non-current liabilities	Financial liability measured at amortised cost
Other current liabilities	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Value Added Tax	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at cost
Payables from exchange transactions	Financial liability measured at amortised cost
Long service awards	Financial liability measured at cost
Unspent conditional grants	Financial liability measured at cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity 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

1.8 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:

Accounting Policies

1.8 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.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

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

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

Cash and cash equivalents

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

1.9 Tax

Value added tax (VAT)

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

1.10 Leases

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

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

Finance leases - lessor

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

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

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Inventories (continued)

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include 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.

Defined benefit plans

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

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

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

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

Actuarial assumptions are included in the note of defined benefit obligation plan.

Accounting Policies

1.15 Provisions and contingencies

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

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

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

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

Reimbursements

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.

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.

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.

A **contingent liability** is:
(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
(b) a present obligation that arises from past events but is not recognised because:
(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

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.

1.15 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.16 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.

Accounting Policies

1.16 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.

Service charges

Service charges relating to distribution of electricity are based on consumption. Meters are read on a monthly basis and are

recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on historical information.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 Sep - 30 April) and winter (1 May to 31 Aug).The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.16 Revenue from exchange transactions (continued)

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.

1.17 Revenue from non-exchange transactions

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipal entity and the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.17 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

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

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied. .

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.19 Investment income

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

1.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Accounting Policies

1.20 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure 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.

Accounting Policies

1.24 Irregular expenditure (continued)

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.

1.25 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Estimates in the financial statements include but are not limited to the following:

Depreciation

- Expected recovery of the carrying amount through use may differ materially from the actual outcome.

Bad debts

- Influence of economic conditions including unemployment.

Prepaid Electricity

- Unforeseen economic - and weather conditions.

Employee benefit

- Change in key assumptions used to determine the amounts disclosed.

Leave accrual

- Changes in the planned and actual leave taken and the staff turnover.

Long service awards

- Possible resignations or new appointments as well as movements in CPI and discount rates used.

Provision landfill rehabilitation

1.26 Investments

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

Investments in securities

Accounting Policies

1.26 Investments (continued)

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.27 Budget information

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

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

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

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

The 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.

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

1.28 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.

Accounting Policies

1.28 Related parties (continued)

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

1.29 Commitments

The term ‘commitments’ is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancelable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

1.30 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

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

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 37: Joint Arrangements

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

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

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

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

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity’s financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 financial statements.

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

GRAP 12 (as amended 2016): Inventories

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 16 (as amended 2016): Investment Property

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

The most significant changes to the Standard are:

2. New standards and interpretations (continued)

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

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

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

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2018

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

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

GRAP 27 (as amended 2016): Agriculture

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

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

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

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

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

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

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 31 (as amended 2016): Intangible Assets

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

The most significant changes to the Standard are:

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 103 (as amended 2016): Heritage Assets

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

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

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 110 (as amended 2016): Living and Non-living Resources

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

The most significant changes to the Standard are:

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

GRAP 20: Related parties

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

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

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

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

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

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

- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

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

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

Notes to the Financial Statements

Figures in Rand	2017	2016

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Bank balances	-	1 476 744
Short-term deposits	4 633 219	3 007 114
Other cash and cash equivalents	400	400
Bank overdraft	(12 495 022)	-
	(7 861 403)	**4 484 258**

	2017	2016
Current assets	4 633 619	4 484 258
Current liabilities	(12 495 022)	-
	(7 861 403)	**4 484 258**

Short - term deposits consists of:

	2017	2016
FNB - 12 months fixed deposit - 71037990209	10 145	10 145
FNB - Daily money market investment - 62290902678	1 408 966	2 777 496
FNB - Daily money market transactor - 62368885376	4 427	2 015
FNB - 32 Day Notice - 74037601777	60 828	57 982
FNB - 32 Day Notice - 74037631683	148 854	140 866
FNB - 7 Day Notice - 74368883317	3 000 000	18 610
	4 633 220	**3 007 114**

Short-term deposits consists of the following short-term investments with First National Bank and Standard Bank. The details and interest earned on these investments are set out below:
- FNB Fixed deposit account with an interest rate of 7.5%
- FNB Money Market Investor account with an interest rate of 5.4%
- FNB Money Market Transactor account with an interest rate of 5.4%
- FNB 32 Day Notice account with an interest rate of 4.8%
- FNB 32 Day Notice account with an interest rate of 5%
- FNB 7 Day Notice account with an interest of 7.13%

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National Bank - Current account - 62021285748	132 482	1 476 744	168 252	132 482	1 476 744	168 252
First National Bank - Money market investment - 62290902678	1 408 966	2 777 496	10 000	1 408 966	2 777 496	10 000
First National Bank - 7 Day Investment - 74368883317	3 000 000	18 610	9 324	3 000 000	18 610	9 324
First National Bank - 32 Day Deposit - 74037651683	148 854	140 866	134 140	148 854	140 866	134 140
First National Bank - Fixed Deposit - 71037990209	10 145	10 145	10 145	10 145	10 145	10 145
First National Bank - Fixed Deposit - 74037601777	60 828	57 892	55 591	60 828	57 982	55 591
Standard Bank - 32 Day Deposit - 04886693	-	-	2 205 289	-	-	2 205 289
First National Bank - Money Market transactor - 6238885376	4 427	2 015	-	4 427	2 015	-
Total	**4 765 702**	**4 483 768**	**2 592 741**	**4 765 702**	**4 483 858**	**2 592 741**

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Consumer receivables from exchange transactions

Gross balances		
Rates	19 280 902	16 550 433
Electricity	7 955 158	7 056 856
Water	6 867 433	4 009 549
Sewerage	46 773 784	31 006 918
Refuse	31 105 049	20 693 602
Sundry services	7 284 736	7 258 405
Housing rental	1 465 637	1 206 835
Other receivables	4 119 911	-
	124 852 610	**87 782 598**

Less: Allowance for impairment		
Rates	(15 752 592)	(13 871 886)
Electricity	(5 427 429)	(4 811 271)
Water	(6 560 079)	(3 736 166)
Sewerage	(45 827 064)	(30 360 722)
Refuse	(30 622 493)	(20 333 076)
Sundry services	(7 065 688)	(7 048 825)
Housing rental	(1 419 446)	(1 199 472)
	(112 674 791)	**(81 361 418)**

Net balance		
Rates	3 528 310	2 678 547
Electricity	2 527 729	2 245 585
Water	307 354	273 383
Sewerage	946 720	646 196
Refuse	482 556	360 526
Sundry services	219 048	209 580
Housing rental	46 191	7 363
Other receivables	4 119 911	-
	12 177 819	**6 421 180**

Included in above is receivables from exchange transactions		
Electricity	7 955 157	7 056 856
Water	6 867 432	4 027 284
Sewerage	46 773 784	31 006 918
Refuse	31 105 049	20 693 602
Sundry services	7 284 737	7 258 405
Housing rental	1 465 637	1 206 835
	101 451 796	**71 249 900**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	19 280 901	16 550 433
Other receivables	4 119 911	-
	23 400 812	**16 550 433**

Net balance	**124 852 608**	**87 800 333**

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Consumer receivables from exchange transactions (continued)

Rates

Current (0 -30 days)	340 929	293 065
31 - 60 days	284 711	248 240
61 - 90 days	278 142	237 617
91 - 120 days	273 048	287 949
121 - 365 days	3 439 805	2 957 555
> 365 days	14 664 267	12 526 007
	19 280 902	**16 550 433**

Electricity

Current (0 -30 days)	1 175 166	1 215 735
31 - 60 days	489 088	488 677
61 - 90 days	400 766	409 887
91 - 120 days	312 965	318 271
121 - 365 days	1 834 305	1 729 367
> 365 days	3 742 868	2 894 919
	7 955 158	**7 056 856**

Water

Current (0 -30 days)	305 184	223 161
31 - 60 days	286 937	174 547
61 - 90 days	279 887	169 230
91 - 120 days	278 269	167 349
121 - 365 days	2 043 277	1 212 355
> 365 days	3 673 879	2 062 907
	6 867 433	**4 009 549**

Sewerage

Current (0 -30 days)	1 581 500	578 809
31 - 60 days	1 455 501	528 078
61 - 90 days	1 423 191	516 093
91 - 120 days	1 400 967	512 340
121 - 365 days	10 696 488	3 896 379
> 365 days	30 216 137	24 975 219
	46 773 784	**31 006 918**

Refuse

Current (0 -30 days)	1 049 625	380 665
31 - 60 days	953 058	349 782
61 - 90 days	931 456	342 220
91 - 120 days	916 252	337 915
121 - 365 days	7 020 294	2 585 939
> 365 days	20 234 364	16 697 081
	31 105 049	**20 693 602**

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Consumer receivables from exchange transactions (continued)

Sundry services		
Current (0 -30 days)	12 240	12 242
31 - 60 days	4 985	3 607
61 - 90 days	4 949	3 569
91 - 120 days	3 727	2 375
121 - 365 days	20 246	10 880
> 365 days	7 238 589	7 225 732
	7 284 736	**7 258 405**

Housing rental		
Current (0 -30 days)	32 210	32 973
31 - 60 days	32 058	30 499
61 - 90 days	31 472	29 022
91 - 120 days	31 356	27 770
121 - 365 days	228 992	200 922
> 365 days	1 109 549	885 649
	1 465 637	**1 206 835**

Other receivables		
Current (0 -30 days)	4 119 911	-

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Consumer receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3 624 488	1 970 960
31 - 60 days	2 976 479	1 387 354
61 - 90 days	2 857 585	1 309 123
91 - 120 days	2 765 220	1 258 840
121 - 365 days	21 061 186	9 228 665
> 365 days	69 146 394	57 171 417
	102 431 352	72 326 359
Less: Allowance for impairment	(100 966 525)	(71 634 684)
	1 464 827	**691 675**

Industrial/ commercial		
Current (0 -30 days)	599 666	531 284
31 - 60 days	331 521	252 130
61 - 90 days	296 864	216 567
91 - 120 days	273 739	203 268
121 - 365 days	2 981 255	2 238 631
> 365 days	7 757 622	6 502 427
	12 240 667	9 944 307
Less: Allowance for impairment	(11 708 267)	(9 358 037)
	532 400	**586 270**

National and provincial government		
Current (0 -30 days)	272 701	234 407
31 - 60 days	198 342	183 946
61 - 90 days	195 416	181 947
91 - 120 days	177 623	191 861
121 - 365 days	1 240 961	1 126 098
> 365 days	3 975 637	3 611 409
	6 060 680	5 529 668
Less: Allowance for impairment	-	(368 698)
	6 060 680	**5 160 970**

Total		
Current (0 -30 days)	8 616 767	2 736 651
31 - 60 days	3 506 342	1 823 430
61 - 90 days	3 349 865	1 707 637
91 - 120 days	3 216 582	1 653 969
121 - 365 days	25 283 402	12 593 396
> 365 days	80 879 652	67 267 515
	124 852 610	87 782 598
Less: Allowance for impairment	(112 674 791)	(81 361 419)
	12 177 819	**6 421 179**

Less: Allowance for impairment		
> 365 days	(112 674 791)	(81 361 419)

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Consumer receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(81 361 419)	(70 789 856)
Contributions to allowance	(31 313 372)	(10 571 563)
	(112 674 791)	**(81 361 419)**

Consumer debtors pledged as security

No consumer debtors were pledged as security in the current or prior financial period.

Fair value of consumer debtors

Consumer debtors are reflected net of the provision for doubtful debt and the effect of discounting. The interest rate used in discounting is the prime rate at period end adjusted for CPI applicable to the public sector.

The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The municipality does not hold any collateral as security.

Fair value of the consumer debtors approximates the carrying value at year end.

Consumer debtors impaired

As of 30 June 2017, consumer debtors of R 120 732 699 (2016: R 87 800 333) were impaired and provided for.

The amount of the provision was R 112 674 792 as of 30 June 2017 (2016: R 81 361 419).

5. Inventories

Inventories	235 643	57 459

Inventories comprise of water.

6. Accrued income

Lessor - Rental Cell phone sites / Camp Rentals	31 862	30 196

The municipality leases various pieces of land under cancelable operating leases to various individuals and / or institutions. The lease agreements have escalations between 0% and 10% per annum with the agreements terms being between 1 and 10 years. Rental income for these agreements have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

7. Receivables from non - exchange transactions

Prepaid expenses	-	35 235
Department of Water Affairs	-	8 950 268
Camp rentals	1 845 754	1 529 376
Payroll debtors	(13 781)	252 233
Sundry debtors	290 485	146 254
Traffic fine debtors	545 534	398 284
Provision for impairment receivables from non - exchange transactions	(2 398 074)	(1 927 660)
	269 918	**9 383 990**

Notes to the Financial Statements

Figures in Rand	2017	2016

8. VAT receivable

VAT	12 297 113	1 854 299

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

The total amount of VAT receivable is R256 806.28 (2016: R1 429 118.2) on the cash basis. The balance on the accrual basis at 30 June 2017 is R12 433 502 (2016: R1 854 299) and this is the net amount payable after all cash receipts of consumers and cash payments to suppliers.

9. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Game	1 604 600	-	1 604 600	1 915 200	-	1 915 200

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Additions	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Biological assets - Game	1 915 200	75 000	(352 300)	(33 300)	1 604 600

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Additions	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Biological assets - Game	1 981 600	49 500	(409 900)	294 000	1 915 200

Non - Financial information

Quantities of each biological asset		
Blesbuck	226	291
Burchell's Zebra	30	28
Red Hartebeest	93	120
Ostrich	6	5
Eland	14	14
Gemsbok	42	82
Impala	85	81
Springbok	417	380
Giraffe	3	4
	916	**1 005**

Methods and assumptions used in determining fair value:

The balance sheet valuation of biological assets is based on an actual count and the unit values on market prices.

Notes to the Financial Statements

Figures in Rand	2017	2016

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 822 355	-	2 822 355	2 822 355	-	2 822 355

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	2 822 355	2 822 355

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	2 822 355	2 822 355

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflect market conditions at the reporting date. Investment property comprises grazing fields commonly described as camp sites. Their main purpose is for renting out to livestock farmers for grazing.

The investment property is open stand and camp sites and were not valued by an independent value.

Pledged as security

No investment property is pledged as security.

11. 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	31 038 687	-	31 038 687	31 038 687	-	31 038 687
Buildings	102 487 403	(50 656 860)	51 830 543	96 780 080	(48 413 464)	48 366 616
Plant and machinery	1 324 088	(1 129 822)	194 266	1 313 567	(988 479)	325 088
Furniture and fixtures	1 997 672	(1 299 171)	698 501	1 880 190	(1 083 818)	796 372
Motor vehicles	8 384 456	(7 095 005)	1 289 451	8 976 255	(6 777 048)	2 199 207
Office equipment	835 626	(646 269)	189 357	815 105	(569 023)	246 082
Infrastructure	804 824 878	(236 101 749)	568 723 129	665 811 296	(173 319 444)	492 491 852
Finance leased assets	1 537 382	(1 389 603)	147 779	1 361 978	(944 245)	417 733
Specialised vehicles	8 492 067	(4 972 838)	3 519 229	8 492 067	(4 257 236)	4 234 831
Computer equipment	1 417 516	(1 043 533)	373 983	1 036 247	(866 668)	169 579
Total	**962 339 775**	**(304 334 850)**	**658 004 925**	**817 505 472**	**(237 219 425)**	**580 286 047**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	31 038 687	-	-	-	-	31 038 687
Buildings	48 366 616	5 747 877	(40 554)	(2 243 396)	-	51 830 543
Plant and machinery	325 088	10 521	-	(141 343)	-	194 266
Furniture and fixtures	796 372	58 869	-	(156 740)	-	698 501
Motor vehicles	2 199 207	-	(19 968)	(889 788)	-	1 289 451
Office equipment	246 082	20 521	-	(77 246)	-	189 357
Infrastructure	492 491 852	146 537 144	(37 176 929)	(32 918 862)	(210 076)	568 723 129
Finance leased assets	417 733	175 405	-	(445 359)	-	147 779
Specialised vehicles	4 234 831	-	-	(715 602)	-	3 519 229
Computer equipment	169 579	478 625	(86 038)	(188 183)	-	373 983
	580 286 047	**153 028 962**	**(37 323 489)**	**(37 776 519)**	**(210 076)**	**658 004 925**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	31 038 687	-	-	-	-	-	31 038 687
Buildings	48 774 387	1 835 625	-	-	(2 243 396)	-	48 366 616
Plant and machinery	467 096	-	(6 583)	-	(118 916)	(16 509)	325 088
Furniture and fixtures	990 377	43 055	(5 786)	-	(191 709)	(39 565)	796 372
Motor vehicles	3 830 137	-	-	-	(1 256 489)	(374 441)	2 199 207
Office equipment	362 241	21 000	(994)	-	(127 923)	(8 242)	246 082
Infrastructure	504 635 527	29 563 776	(18 812)	(10 171 076)	(31 517 563)	-	492 491 852
Finance lease assets	830 202	89 550	-	-	(503 590)	-	417 733
Specialised vehicles	5 497 401	-	-	-	(868 673)	(393 897)	4 234 831
Computer equipment	265 045	44 218	(2 481)	-	(135 922)	(1 281)	169 579
	596 691 100	**31 597 224**	**(34 656)**	**(10 171 076)**	**(36 964 181)**	**(833 935)**	**580 286 047**

Assets subject to finance lease (Net carrying amount)

	2017	2016
Other property, plant and equipment	147 779	417 733

Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure water	Included within Building	Included within infrastructure electricity	Included within infrastructure Roads	Included within infrastructure Sanitation	Total
Opening balance	17 750 771	2 878 099	2 363 438	443 386	4 849 900	28 285 594
Additions/capital expenditure	102 191 707	5 747 877	4 179 298	6 151 833	5 971 696	124 242 411
Retensions	-	-	-	-	-	28 042 609
Transferred to completed items	-	-	-	-	(10 821 596)	(10 821 596)
	119 942 478	**8 625 976**	**6 542 736**	**6 595 219**	**-**	**169 749 018**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure water	Included within Buildings	Included within infrastructure electricity	Included within infrastructure roads	Included within infrastructure sanitation	Total
Opening balance	3 651 099	1 042 473	5 704 196	443 386	9 195 978	20 037 132
Additions/capital expenditure	14 861 818	1 835 625	8 290 716	-	5 967 853	30 956 012
Transferred to completed items	(762 146)	-	(11 631 474)	-	(10 313 928)	(22 707 548)
	17 750 771	**2 878 099**	**2 363 438**	**443 386**	**4 849 903**	**28 285 596**

Included in the above is the project Hertzogville Malebogo Construction of 1,34km Storm Water Run off, that was started but not comleted. The reason for this is that the project was reprioritised. The following adverts were made in an attempt to complete the project:
First advert - May 2016
Second advert - August 2016
Third advert - June 2017

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.

12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	36 786	(32 479)	4 307	36 786	(30 130)	6 656

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Licenses and franchises	6 656	(2 349)	4 307

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	3 872	7 048	(4 264)	6 656

13. Investments

	2017	2016
Designated at fair value		
Listed shares	131 388	135 808
At fair value through surplus or deficit - designated		
	131 388	135 808
	-	-
	-	-

Notes to the Financial Statements

Figures in Rand	2017	2016

13. Investments (continued)

Non-current assets		
Designated at fair value	131 388	135 808
Non-current assets	131 388	135 808
Current assets	-	-

14. Consumer deposits

Electricity	390 286	379 155
Water	103 415	108 056
Refuse	16 819	11 162
Housing rental	400	400
	510 920	**498 773**

Fair value approximates the carrying value of the vendor deposits.

15. Employee benefit obligations

Provision for employee benefit obligation

Provision for post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by finding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations the present value of the defined benefit obligation were carried out at 30 June 2017 by SIMEKA Actuaries a member of SANLAM GROUP. 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. The Municipality has not legally ring-fenced assets to fund this liability and there are therefore no “Plan Assets” (as defined by GRAP25).

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas

- Hosmed

- Keyhealth

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

Carrying value		
Present value of the defined benefit obligation	(2 064 000)	(3 120 000)
Non-current liabilities	(2 064 000)	(3 074 000)
Current liabilities	-	(46 000)
	(2 064 000)	**(3 120 000)**

The liability in respect of past services has been estimated as follows:		
South African equities	2 064 000	3 120 000

Notes to the Financial Statements

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

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

Opening balance	3 120 000	3 168 000
Benefits paid	(260 000)	(208 184)
Net expense recognised in the statement of financial performance	(796 000)	160 184
	2 064 000	**3 120 000**

Net expense recognised in the statement of financial performance

Current service cost	-	23 000
Interest cost	298 000	282 000
Actuarial (gains) losses	(1 094 000)	(144 816)
	(796 000)	**160 184**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 094 000)	(144 816)

Notes to the Financial Statements

15. Employee benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date:

Actuarial basis

Discount rate
GRAP25 requires that the discount rate be set with regards to the market yield on government bonds at the reporting date. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses the current market rates of the appropriate term to discount short term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

For the current valuation we used the nominal and real zero coupon yield curves of the government bonds constructed by Sanlam Investments to discount the expected future payments. The time weighted average yield over a 30 year period were:
- Nominal time weighted yield: 10,55%
- Real time weighted yield: 2,48%

In the previous valuation the nominal and real zero curves published by the JSE as at 30 June 2016 were used to discount the expected future payments. The time weighted average yield over a 30 year period were:
- Nominal time weighted yield: 9,87%
- Real time weighted yield: 1,81%

Inflation
We assumed that inflation is determined by the difference between the nominal yield curve and the real yield curve. This is consistent with the previous valuation.

Over a 30 year period, the implied time weighted inflation would be 8,07% (10,55% - 2,48%). In the previous valuation, the implied time weighted inflation over 30 years was 8,06% (9,87% - 1,81%).

Rate of medical inflation
We have assumed that future medical inflation would exceed the rate of general inflation by 2% per annum.
In the previous valuation the medical inflation rate was assumed to exceed the rate of general inflation by 1 %.

Rate of maximum subsidy inflation
In the previous valuation it was assumed that the maximum subsidy cap is expected to increase at 50% of inflation. We have also assumed that the maximum subsidy cap will increase with inflation, even though the last increase was 25% of inflation.

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

Actuarial gain

The actuarial gain is the effect of differences between the previous actuarial assumptions and what has actually occurred over the financial year, the effect of changes in the actuarial assumptions (if any) and any changes to the membership data.

The actuarial gain of R 1 094 000 arose as a result of the following items:

- Change in demographic experience: The number of qualifying pensioners decreased since the previous valuation resulting in an actuarial gain of R1 271 000.
- **Higher than expected medical inflation:** We estimated the expected medical inflation increase over the previous valuation using the long term implied inflation rate derived from the yield curves used in the previous valuation. The actual medical premiums increased slightly more than expected resulting in an actuarial loss of R39 000.
- **Change in mortality assumption:** The previous valuation only estimated the post retirement mortality to be in line with the PA(90) mortality table. There was no indication of a mortality improvement assumption in the previous valuation. We believe that the previous mortality assumption was under estimated the longevity risk that the Municipality is exposed to and as a result we updated the mortality assumption to allow for mortality improvement by applying a rating factor of negative 4 years to the PA(90) mortality table i.e. assuming PA(90)-4 for the post retirement mortality assumption. This resulted in an actuarial loss of R 284 000.
- **Change in future medical inflation assumption:** In the previous valuation medical inflation was assumed to be only 1% above inflation. Currently medical aid premium inflation is on average a lot higher than 1% above inflation, however we believe that this rate is not sustainable in the future. We did allow for a slightly higher medical aid inflation assumption in the current valuation by assuming medical inflation to be 2% above inflation. This resulted in an actuarial loss of R 83 000.
- **Change in yield curve:** The yield curve was updated for the current valuation which takes into account the market movements of the government bonds over the valuation period. The new yield curve resulted in higher yields than were previously assumed, and this caused an actuarial profit of R 229 000.

Sensitivity analysis:

The results in the valuation are only estimates of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will depend on actual future levels of assumed variables and demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the medical aid inflation.

The liabilities calculated using different withdrawal rates compare as follows:

Withdrawal rate	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total accrued liability	2 207 000	2 064 000	1 944 000
Interest cost	197 000	183 000	171 000
	2 404 000	**2 247 000**	**2 115 000**

Medical aid inflation:

The liabilities calculated using different medical aid inflation rates compare as follows:

Normal salary inflation	-1% Medical inflation	Valuation Assumption	+1% Medical inflation
Total accrued liability	2 160 000	2 064 000	2 231 000
Interest cost	175 000	183 000	189 000
	2 335 000	**2 247 000**	**2 420 000**

Notes to the Financial Statements

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

16. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	105 210	537 450
- in second to fifth year inclusive	107 263	7 594
Present value of minimum lease payments	**212 473**	**545 044**
Present value of minimum lease payments due		
- within one year	39 572	493 221
- in second to fifth year inclusive	110 904	20 531
	150 476	**513 752**
Non-current liabilities	110 904	20 531
Current liabilities	39 572	493 221
	150 476	**513 752**

The average lease term is 2 years and the average effective borrowing rate was 9% (2016: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

17. Payables from exchange transactions

	2017	2016
Trade payables	44 732 911	39 628 737
Payments received in advanced	856 048	1 209 462
Unreceipted deposits	798 464	488 499
Accrued leave pay	5 336 808	4 250 060
Other payables	905 941	1 117 290
Accrued bonus	825 625	600 892
Retention	31 616 155	3 573 546
	85 071 952	**50 868 486**

Notes to the Financial Statements

Figures in Rand	2017	2016

18. Provision - Landfill sites

Reconciliation of provision - landfill sites - 2017

	Opening Balance	Change in discount factor	Total
Rehabitation of Landfill Sites	6 760 057	280 424	7 040 481

Reconciliation of provision - landfill sites - 2016

	Opening Balance	Change in discount factor	Total
Rehabitation of Landfill Sites	6 196 365	563 692	6 760 057

Land Fill Site - Rehabilitation

Liabilities are present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits (paragraph .16 of GRAP 19). The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) - (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation, Act, 73 of 1989, or the waste management licenses issued under Section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The expected time of rehabilitation are as follows:
- Boshof Landfill Site: 12 years
- Dealsville Landfill Site: 19 years
- Hertzogville Landfill Site: 24 years

Accounting Standard GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and the term of the governmet bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the GOVI long bond. The annualised rate at this date was 9.95%.

Key financial assumptions

Discount rate	9,95 %	9,53 %

	2017	**2016**
Non-current liability	7 040 481	13 740 754
Current liability	700 528	280 424
	7 741 009	**14 021 178**

19. Long service awards

Tokologo Local Municipality rewards employees with long service by remunerating them with a lump sum after a specific number of service years. The value of the Municipality’s liability towards qualifying employees, as prescribed in GRAP25, further explanation of the results as at 30 June 2017 as well as a description of the assumptions used is shown below.

The previous valuation was conducted by ZAQ Consultants and Actuaries as at 30 June 2016.

The most recent actuarial valuations were carried out at 30 June 2017 by SIMEKA Actuaries a member of SANLAM GROUP.

19. Long service awards (continued)

Long service bonus policy
The Municipality's long service bonus policy, employees are entitled to the following rewards upon completion of various periods of service:

- 5 years : 5 days accumulative leave + 2% of employee's annual salary
- 10 years : 10 days accumulative leave + 3% of employee's annual salary
- 15 years : 15 days accumulative leave + 4% of employee's annual salary
- 20 years : 15 days accumulative leave + 5% of employee's annual salary
- 25 years : 15 days accumulative leave + 6% of employee's annual salary
- Every 5 year intervals after 25 years the benefit remains the same as the 25 year long service bonus

The conversion of the accumulated leave is based on a 250 working day year.

Valuation method
The projected unit credit method is used in the calculations. The incidence and the quantum of future awards are projected allowing for salary increases, rates of resignation/redundancy/retirements and mortality statistics. The projected values are then discounted to the calculation date. More detail regarding the assumptions are shown below. The values of the past service liabilities and the future service liabilities are given separately. The past service liability is the value of the accumulated liability as at the calculation date in respect of service already rendered. The future service liability is the sum of the value of the liabilities from service after the calculation date until the next dates the employee is entitled to receive a bonus payment. The total liability is evenly distributed over the period since service inception until the date when the benefit is payable.

No assets have been set aside to match the above mentioned liabilities. There is therefore no "Plan Assets" as defined by GRAP25.

Reconciliation of long term service awards - 2017	Opening Balance	Actuarial (Gains)/Losses	Utilised during the year	Current service cost	Interest cost	Total
	R	R	R	R	R	R
Provision for long term service awards	1 986 000	33 693	(143 693)	284 000	205 000	2 365 000
	1 986 000	**33 693**	**(143 693)**	**284 000**	**205 000**	**2 365 000**

Reconciliation of long term service awards - 2016	Opening Balance	Actuarial (Gains)/Losses	Utilised during the year	Current service cost	Interest cost	Total
	R	R	R	R	R	R
Provision for long term service awards	1 596 000	106 436	(115 436)	247 000	152 000	1 986 000
	1 596 000	**106 436**	**(115 436)**	**247 000**	**152 000**	**1 986 000**

	2017	**2016**
Non-current liability	2 365 000	1 986 000
Current liability	-	-
	2 365 000	**1 986 000**

The long service awards liability arises from Tokologo Local Municipality being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC. This agreement is effective from 1 July 2010.

The long service awards plan is a defined benefit plan. At year end 153 (2016 - 162) employees were eligible for long service bonus.

The current service cost for the ensuing year is estimated to be R 284 000 (2016 - R 247 000) whereas the interest cost is estimated to be R 205 000 (2015 - R 152 000).

Notes to the Financial Statements

Figures in Rand	2017	2016

19. Long service awards (continued)

Key financial assumptions utilised by management in determining the Long service awards liability are listed below:	2017	2016
Discount rate	Yield Curve	Yield Curve
Salary increase	Equal to CPI + 1%	Equal to CPI + 1%
Net discount rate	Yield Curve based	Yield Curve based
Mortality rates	SA85-90	SA 85 - 90
Normal retirement age	65	65
Average retirement age	63	63
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve

Present value of unfunded obligations:

Present value of unfunded obligations	2 365 000	1 986 000
	2 365 000	**1 986 000**

Reconciliation of present value of fund obligation

Present value of fund obligations at the beginning of the year	1 986 000	1 596 000
Current services costs	284 000	247 000
Long service awards paid	(143 693)	(115 436)
Interest costs	205 000	152 000
Actuarial (gains)/loss	33 693	106 436
	2 365 000	**1 986 000**

The actuarial loss arising over the 12 months since 30 June 2016 can be separated into:
- Actuarial profit resulting from changes in assumptions, R 127 000; and
- Actuarial loss resulting from the divergence between actual experience and assumptions, R 267 000.

The main reason for the actuarial loss can be attributed to the following factor:

Salary increases
The salary increases, which we provided for in the valuation basis, consist of two components:
- Merit increases to individual members as a result of promotion or merit. The following scale reflects the annual increases provided for between the ages stated. The assumptions are in line with the assumption regarding the general level of salaries and correspond to the previous valuations assumptions.

- Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. Maintaining consistency with the previous valuation, we assumed that salary escalation is 1% above the implied inflation rate, and for the shorter terms set the salary inflation rate to a minimum of 6% p.a.

Sensitivity analysis:

In order to illustrate the sensitivity of the results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation.

The liabilities calculated using different withdrawal rates compare as follows:

Notes to the Financial Statements

Figures in Rand	2017	2016

19. Long service awards (continued)

Withdrawal rate	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total accrued liability	2 531 000	2 365 000	2 220 000
Current service cost	371 000	339 000	312 000
Interest cost	223 000	207 000	193 000
	3 125 000	**2 911 000**	**2 725 000**

Normal salary inflation:

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct impact on the liability of future retirees.

The effect of a 1% p.a. change in the normal salary inflation assumption was tested. The effect is as follows:

Normal salary inflation	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total accrued liability	2 231 000	2 365 000	2 483 000
Current service cost	317 000	339 000	360 000
Interest cost	193 000	207 000	219 000
	2 741 000	**2 911 000**	**3 062 000**

20. Service charges

Sale of electricity	14 110 832	12 826 417
Sale of water	2 956 424	2 192 355
Sewerage and sanitation charges	12 795 781	3 183 045
Refuse removal	8 476 604	2 066 664
	38 339 641	**20 268 481**

Service charge revenue include revenue derived from the application of flat rates. The municipality uses flat rates in instances where there is no infrasructure (i.e. meters installed). Areas where flat rates are used predominantly relate to locations occupied by indigents (i.e. Seretse, Malebogo and Tshwaraganang).

The municipality uses estimates in instances where meters are broken or are stale and where an accurate reading could not be obtained.

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	361 317	343 589
Rental of camps	462 423	481 612
	823 740	**825 201**
Premises	-	-
Garages and parking	-	-
Facilities and equipment	823 740	825 201

Notes to the Financial Statements

Figures in Rand	2017	2016

22. Other Income

Dividends income	8 828	-
Insurance claims	262 208	133 151
	271 036	**133 151**

23. Interest income

Interest revenue		
Interest from short term deposits - Banks	683 291	728 758
Interest charged on consumer receivables from exchange and non-exchange	10 138 603	7 576 779
	10 821 894	**8 305 537**
	-	-
	10 821 894	8 305 537

The amount included in interest revenue arising from exchange transactions amounted to R 8 219 103 (2016: R 1,693,754).

24. Property rates

Rates received

Residential	5 106 401	4 080 588
Less: Income forgone	(568 809)	(605 618)
	4 537 592	**3 474 970**

Valuations

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates of 10% (2016: 10%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Thursday, 30 September 2010 (Wednesday, 30 September 2009). Interest at prime plus 1% per annum (2016: -%) and a collection fee of -% (2016: -%), is levied on rates outstanding two months after due date.

Notes to the Financial Statements

Figures in Rand	2017	2016

25. Government grants and subsidies

Operating grants		
Equitable Share	43 420 461	44 636 709
Financial Management Grant	1 825 000	1 800 000
LG SETA	58 370	1 208 097
Municipal Systems Improvements Grant	-	930 000
	45 303 831	**48 574 806**
Capital grants		
Department of Water and Forestry (DWAF)	102 969 942	33 000 000
Expanded Public Works Programme Incentive Grant	1 032 000	1 223 001
INEP	3 000 000	2 000 000
Municpal Infrastructure Grant	25 798 000	18 133 000
	132 799 942	**54 356 001**
	45 303 831	48 574 806
	132 799 942	54 356 001
	178 103 773	**102 930 807**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as subsidise the municipality's operations.

All registered indigents receive a monthly subsidy from the Equitable Share Grant.

Financial Management Grant

Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld (see note 38).

LG SETA

Current-year receipts	58 370	1 208 097
Conditions met - transferred to revenue	(58 370)	(1 208 097)
	-	-

No conditions were attached to this grant (see note 38).

Municipal Systems Improvement Grant

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

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No grant has been awarded in the year under review. However all conditions attached to the grant were met in the prior year. No funds have been withheld. (see note 38).

Notes to the Financial Statements

Figures in Rand	2017	2016

25. Government grants and subsidies (continued)

Department of Water and Forestry (DWAF)

Current-year receipts	102 969 942	33 000 000
Conditions met - transferred to revenue	(102 969 942)	(33 000 000)
	-	-

All conditions attached to the grant were met. No funds have been withheld (see note 38).

Expanded Public Works Programme Incentive Grant

Current-year receipts	1 032 000	1 223 001
Conditions met - transferred to revenue	(1 032 000)	(1 223 001)
	-	-

This grant was used for the upgrading of Roads facilities. All conditions attached to the grant were met. No funds have been withheld (see note 38).

INEP

Current-year receipts	3 000 000	2 000 000
Conditions met - transferred to revenue	(3 000 000)	(2 000 000)
	-	-

All conditions attached to the grant were met. No funds have been withheld (see note 38).

Municpal Infrustructure Grant

Current-year receipts	25 798 000	18 133 000
Conditions met - transferred to revenue	(25 798 000)	(18 133 000)
	-	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix B). All conditions attached to the grant were met. No funds have been withheld (see note 38).

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Revenue

Rendering of services	673 684	218 426
Service charges	38 339 641	20 268 481
Rental of facilities and equipment	823 740	825 201
Dividends income	8 828	-
Insurance claims received	262 208	133 151
Interest received - investment	10 821 894	8 305 537
Property rates	4 537 592	3 474 970
Government grants & subsidies	178 103 773	102 930 807
Fines, Penalties and Forfeits	198 224	456 480
	233 769 584	**136 613 053**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	38 339 641	20 268 481
Rendering of services	673 684	218 426
Rental of facilities and equipment	823 740	825 201
Dividends income	8 828	-
Insurance claims	262 208	133 151
Interest received - investment	10 821 894	8 305 537
	50 929 995	**29 750 796**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	4 537 592	3 474 970
Transfer revenue		
Government grants & subsidies	178 103 773	102 930 807
Fines, Penalties and Forfeits	198 224	456 480
	182 839 589	**106 862 257**

Notes to the Financial Statements

Figures in Rand	2017	2016

27. Employee related costs

Salaries and wages	23 012 087	23 444 379
Performance and other bonus	1 787 668	1 534 256
Medical aid - company contributions	1 651 256	1 552 980
UIF	243 268	240 465
SDL	323 573	317 599
Leave pay provision charge	1 528 703	723 230
Pension	3 336 360	3 192 317
Travel allowance	875 233	998 374
Overtime payments	1 855 411	1 482 623
Employee benefits	(273 307)	665 621
Acting allowances	1 247 295	601 068
Housing benefits and allowances	587 096	427 722
Telephone allowance	127 932	122 232
Standby Allowance	197 980	223 256
Uniform allowance	720	720
Bargain council	14 192	-
Leave pay	349 196	93 727
Ward Committee	42 403	174 000
	36 907 066	**35 794 569**

Remuneration of MO Masisi (Chief Finance Officer) - Terminated

Annual Remuneration	607 702	729 242
Car Allowance	200 000	240 000
Contributions to UIF, Medical and Pension Funds	1 189	11 084
	808 891	**980 326**

Remuneration of TD Matile (Acting Chief Finance Officer)

Annual Remuneration	398 308	-
Contributions to UIF, Medical and Pension Funds	31 658	-
Housing allowance	8 604	-
	438 570	**-**

Remuneration of MJ Chakane (Technical Manager)

Annual Remuneration	684 026	693 727
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 785	11 423
Housing allowance	120 000	120 000
Other	63 623	45 432
	989 434	**990 582**

Remuneration of KJ Motlhale (Municipal Manager)

Annual Remuneration	896 841	896 841
Car Allowance	224 210	224 210
Contributions to UIF, Medical and Pension Funds	108 408	11 874
	1 229 459	**1 132 925**

Remuneration of LC Tlokwe (Acting Corporate Services)

Annual Remuneration	427 680	255 215

Notes to the Financial Statements

Figures in Rand	2017	2016
27. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	56 927	-
Acting allowance	392 957	-
Travel allowance	25 137	-
	902 701	**255 215**

28. Remuneration of councillors

	2017	2016
Executive Major	682 760	742 615
Councillors	1 894 011	1 695 950
	2 576 771	**2 438 565**

29. Depreciation and amortisation

	2017	2016
Property, plant and equipment	37 794 485	37 776 519
Intangible assets	2 349	4 264
	37 796 834	**37 780 783**

30. Finance costs

	2017	2016
Trade and other payables	2 681 503	1 628 703
Finance leases	748 472	479 039
	3 429 975	**2 107 742**

31. Debt impairment

	2017	2016
Debt impairment provision	28 169 249	10 138 096

32. Repairs and maintenance

	2017	2016
Building, ground and fences	70 604	45 685
Furniture and equipment	266 464	260 298
General maintenance	19 935	174 796
Infrustructure	1 932 004	33 511
Vehicles	1 066 540	607 822
	3 355 547	**1 122 112**

33. Bulk purchases

	2017	2016
Electricity	18 921 177	23 094 377

34. Contracted services

	2017	2016
Legal fees	1 870 048	1 777 575
Specialist Services	10 625 859	6 900 991
	12 495 907	**8 678 566**

Notes to the Financial Statements

Figures in Rand	2017	2016

35. General expenses

Accommodation	638 133	297 766
Advertising	215 335	103 206
Audit committee fees	151 135	238 242
Auditors remuneration	2 920 589	3 554 965
Bank charges	563 643	464 536
Chemicals	210 520	334 390
Cleaning	754	3 909
Consumables	(16 847)	-
Educational support	-	37 335
Employee Wellness Programme	105 900	5 280
Entertainment	42 863	17 102
Fuel and oil	1 145 175	1 260 969
HIV/AIDS Programme	12 980	1 170
IDP/LED	31 078	3 520
Insurance	117 402	304 415
Miscellaneous office expenses	507 271	810 853
Paupers	32 330	19 800
Penalties	-	8 705
Postage and courier	17 825	26 690
Printing and stationery	434 975	156 258
Protective clothing	457 743	21 010
Refreshments	38 312	39 015
Subscriptions and membership fees	650 220	558 379
Telephone and fax	880 770	660 065
Training	1 346 323	320 765
Transport and freight	814 476	262 392
Travel - local	2 569 457	2 088 429
	13 888 362	**11 599 166**

36. Fair value adjustments

Biological assets - (Fair value model)	(33 300)	294 000
Inventory - Fair value adjustment	178 184	(3 341)
	144 884	**290 659**

37. Gains or losses on biological assets

Gain or loss on initial recognition of biological asset	(310 107)	(279 710)

38. Unspent conditional grants and receipts

Movement during the year

Additions during the year	102 969 942	57 086 000
Income recognition during the year	(102 969 942)	(57 086 000)
	-	-

See note 25 for reconciliation of grants from National/Provincial Government.

39. Auditors' remuneration

Fees	2 920 589	3 554 965

Notes to the Financial Statements

Figures in Rand	2017	2016

40. Cash generated from operations

Surplus	38 445 214	3 560 521
Adjustments for:		
Depreciation and amortisation	37 781 983	37 780 783
Gain / (Loss) on disposal of assets and liabilities	37 887 809	294 230
Fair value adjustments	(140 464)	(290 659)
Impairment losses Property Plant and Equipment	210 076	-
Debt impairment	28 169 249	10 138 096
Movements in operating lease assets and accruals	(1 666)	(2 948)
Movements in retirement benefit assets and liabilities - current	(1 056 000)	(48 000)
Movements in provisions	280 424	(6 417 005)
Other movement in property, plant and equipment	-	(12 682 290)
Movements in retirement benefit assets and liabilities - non current	379 000	620 000
Movement in defined benefit obligation	-	(278 000)
(Profit) / Loss on disposal of property plant and equipment	-	279 710
Changes in working capital:		
Inventories	(178 184)	(34 015)
Receivables from non - exchange transactions	9 114 072	(7 983 171)
Consumer debtors	(33 925 889)	(12 081 736)
Accrued income	(1 666)	-
Payables from exchange transactions	34 203 466	26 473 369
VAT	(10 442 814)	(3 828 795)
Consumer deposits	12 147	59 240
Provision - Landfill sites	420 104	32 465
	141 156 861	**35 591 795**

41. Commitments

Commitments in respect of capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	150 880 909	61 628 561
Total capital commitments		
Already contracted for but not provided for	150 880 909	61 628 561

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, government grants, existing cash resources, funds internally generated, etc.

Figures in Rand	2017	2016

42. Contingencies

Contingent liabilities

Litigation against municipality for breach of contract - Boswa Bontle Trading	117 869	117 869
The municipality is being sued for road accident the claimant is Riaan Coetzee	3 800 000	3 800 000
Litigation against the municipality by Tokologo farmers for damages caused by veld fires	5 000 000	5 000 000
Litigation against the municipality for breach of contract - Willem Cornelius van der Walt	2 640 160	293 298
Litigation against the municipality as a result of road accident - JW van Niekerk	3 800 000	3 800 000
Summons against the municipality on the strength of cession between the claimant and Tusk Construction	1 692 125	-
Claim by employee alleging unfair labour practice. Awaiting outcome of internal grievance hearing - Setlhare	20 000	-
Claim of service provider for payment of contractual fees. The phone book company	15 000	-
Internal appeal against refusals of access to info - Afriforum	90 000	-
Lesedi hospice has brought a review application to review the CCMA warranted in the client favour-Maria Golokwane and 22 others /Lesedi Hospice	57 041	-
Tokologo Local Municipality Simon Ndabembi/ Pali CCMA Matter - Dismissal Awaiting instruction from the client	18 548	-
	17 250 743	**13 011 167**

The following litigation claims has been filed however no reasonable amount has been allocated:

Employee referred a dispute of unfair Labour Practices for arbitration. After losing the arbitration, the employee is applying to rescind the arbitration award - PP Modibedi

Employee referred a dispute of Interpretation and/or Application of Collective Agreement for arbitration - PP MODIBEDI

The Employee instituted a labour court application after he was dismissed due to operation reasons - PP MODIBEDI

Litigation against the municipality for breach of contract - Nashua Mobile (Pty) Ltd.

Hertzogville Inc vs Tokologo for correction of various erf number in Malebogo Ext.6.

SAMWU has lodged a claim for unpaid leave days for contract workers who were later employed permanently.

Auction Facilities Boshof vs Tokologo for investigation of sale and facilitate transfer.

This matter relates to the problem of N.J. Balo of stand number 789 Sebaile Street, Malebogo.

Thiza Construction is under liquidation and the liquidators have requested all documents to recover any debt.

The matter relates J. A Neethling for contribution for monies for border fencing between two properties.

Tokologo Local Municipality Samuel Lefu/Ermar Trust - Condonation Application, awaiting further instructions and consultation date from client .

Tokologo Local Municipality Thomas Modise/Ermar Trust - Condonation Application, awaiting further instructions and consultation date from client.

Tokologo Local Municipality Masello Lefu/Ermar Trust - Condonation Application, awaiting further instructions and consultation date from client.

Notes to the Financial Statements

Figures in Rand	2017	2016

43. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Close family member of key management	No related parties transactions noted.
Post employment benefit plan for employees of entity and/or other related parties	No related parties transactions noted.
Post employment benefit plan for employees of a related party of a close family member of key management	No related parties transactions noted.
Members of key management	Refer to Key management information disclosed below

Key management information

Class	Description	Number
Section 57 managers	Refer to note 26	3
Mayor	Refer to note 27	1
Councillors	Refer to note 27	7
Municipal Managers	Refer to note 26	1

44. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial performance		
Grants and subsidies paid	-	(2 590 607)
Service charges	-	2 590 607
Bulk purchases	-	(3 341)
Fair value adjustment	-	3 341
Rendering services	-	(133 151)
Insurance claims recieved	-	133 151
	-	-

Grants and subsidies:
The expense paid to indigents do not reflect actual amounts paid to indigents and equitable share grant has been allocated for qualifying indigents. Therefore, services paid to indigents has been reclassified against services charges.

Bulk purchases:
Water does not consist of purchase, water is pumped, and therefor the increase in water level represent a fair value adjustment and has been reclassified accordingly.

Rendering services:
Amounts reflected in rendering of services which was pay-out of insurance claims has been reclassified to insurance claims received.

Figures in Rand

45. Prior period errors

Receivable for exchange:
Reversing billing against municipal properties.

Property, plant and equipment:
Increase due to asset verification conducted by the service provider. Additional properties identified.

Investment property:
Decrease due to asset verifications conducted by the service provider.

Payables from exchange transactions:
Creditors were identified after 2016 year end.

Consumer deposit:
Increase in consumer deposit not previously recognised

Finance lease obligation:
Additional Finance leave assets were identified that should have been presented in the previous year.

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

Statement of financial position		
Decrease in Receivables from exchange	-	(17 735)
Increase in Property, plant and equipment	-	10 421 389
Decrease in Investment Property	-	(25 330 917)
Increase in Payables from exchange transactions	-	(12 104)
Increase in consumer deposits	-	(4 460)
Increase in Finance Leave Obligations	-	(16 515)
Decrease in provision for landfill	-	6 980 000
Increase in depreciation	-	4 574 637
Accumulated surplus	-	(3 405 705)
Statement of financial performance		
Increase in depreciation expense	-	6 637
Increase in contract services	-	12 104
Increase in redering of services	-	22 196

46. Risk management

Financial risk management

Financial Instrument Risk

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and procedures for measuring and managing financial risks. Further quantitive disclosures are included in the Annual Financial Statements.

Management has overall responsibility for the establishment and oversight of the municipality risk management framework. The municipality audit committee oversees the monitoring of compliance with the municipality risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality internal audit function.

The municipality monitors and manages the financial risks relating to the operations of the municipality through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- credit risk;

- liquidity risk; and

- market risk (including interest rate risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the council. The policies provide written principles on interest rate risk, credit risk, and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Tokologo local Municipality exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipality liquidity risk through ongoing review of commitments.

The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

All of the financial assets the municipality have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipality.

The table below analyses the entity’s financial liabilities into relevant maturity groupings based on the remaining period at the

statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease	39 512	110 904	-	-
Payables from exchange transactions	74 550 919	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease	493 221	20 534	-	-
Payables from exchange transactions	50 868 486	-	-	-

46. Risk management (continued)

Credit risk

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

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.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents and trade receivables.

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

Financial instrument	2017	2016
Cash and cash equivalents	(7 861 403)	4 484 258
Consumer receivables from exchange transactions	8 057 908	6 421 179
Receivables from non-exchange transactions	269 918	9 383 990

These balances represent the maximum exposure to credit risk.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in the market price of game. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management. There is also the risk of diseases which at the moment is unmanageable.

Market rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the municipality exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks: Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipal entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipal entity's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:

- Current bank accounts

- Interest charged on consumer receivables from exchange transactions overdue

The municipality's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the entity.

Cash flow interest rate risk

Figures in Rand	2017	2016

46. Risk management (continued)

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipality's financial instruments are affected by the whole sale price of electricity from ESKOM.

47. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 581 815 170 and that the municipality's total assets exceed its total liabilities by R 581 815 170.

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

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

Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

The municipality's current liabilities exceed its current assets by R 60 704 415 (R29 955 523) in 2016) which indicates a current asset ratio is below the required norm of between 1.5 - 2.

Electricity distribution losses (technical and non-technical) has decreased from 2016 to 2017 at 39.55% (44% 2016) which is above the norm of between 0 - 15%. The municipality incurred a net surplus for the year under review of R 71 449 728 (Surplus in 201 of R 8 491 868), the major contributor to this change is the increases in government grants. The municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality has implemented a system to enhance the revenue collection and cash flow by improving on the debt recoverability processes.

After careful consideration of the factors mentioned Management is of the opinion that the municipality will be a going concern in the foreseeable future based on the forecasts, available cash resources and approved government funding for the next 2 financial years.

Notes to the Financial Statements

Figures in Rand	2017	2016

48. Events after the reporting date

Non Adjusting
The municipality has not billed consumers for service charges after reporting date
The accounting system was infected by a virus after reporting date.

Adjusting
A Council Resolution was approved for Poperty, Plant and Equipment write offs that were applicable to the year under review. The following classes of assets were written off due to assets not found during the physical verification performed. Community assets were removed and split between land and buildings
Buildings
Infrastructure.
Community assets

The effect on the current period is as follows:
Buildings carrying amount reduced by R 40 554
Infrastructure carrying amount reduced by R 37 176 929
Community asset reduced to 0 as result of a reclassification to land and buildings

Movable assets:
The Mayoral jeep was written off after an accident
Laptops bought in the 2016/17 year were written off as they were stolen shortly after being bought
The effect on the current period is as follows:
Motor Vehicles carrying amount reduced by R 19 968
Computer Equipment carrying amount reduced by R 86 038

There are no adjusting events after reporting date to report on.

49. Unauthorised expenditure

Opening balance	99 531 827	49 577 442
Unauthorised expenditure Capital Current year	15 890 559	49 954 385
Unauthorised expenditure Operating expenditure	68 226 578	-
	183 648 964	**99 531 827**

50. Fruitless and wasteful expenditure

Opening balance	5 964 023	2 607 815
Fruitless and wasteful expenditure	2 669 833	3 356 208
	8 633 856	**5 964 023**

Details of Fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest on overdue account	The interest was incurred due to cash inflow problems. No official of the entity is liable and expenses have been submitted to council for consideration of write - off.	2 669 833
		2 669 833

Details of fruitless and wasteful expenditure - previous year

-

Analysis of expenditure awaiting write - off per age classification

Figures in Rand	2017	2016

50. Fruitless and wasteful expenditure (continued)

Current year	2 669 833	3 356 208
Prior years	5 964 023	2 607 815
	8 633 856	**5 964 023**

51. Irregular expenditure

Opening balance	98 104 894	53 583 452
Add: Irregular Expenditure - current year	57 441 308	44 521 442
	-	-
	155 546 202	**98 104 894**

Details of irregular expenditure – current year

Non Compliance with the SCM Regulations		155 546 202
This value of irregular expenditure items are to	be investigated	-
		155 546 202

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	500 000

Distribution losses

Distribution loss	Units bought	Units sold	Units lost in distribution	%
2017	36 469 822	10 244 429	26 225 393	72

Distributions loss	Units bought	Units sold	Units lost in distribution	%
2016	19 057 137	10 606 836	8 450 301	44

The electricity distribution loss comprises of technical and non-technical losses. For the 2016/17 financial year the distribution losses amount to 72 %. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc.

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution.

Notes to the Financial Statements

Figures in Rand	2017	2016

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

Audit fees

Opening balance	96 636	(183 355)
Amount paid - current year	3 351 194	3 860 910
Amount paid - previous years	(3 860 910)	(3 580 919)
	(413 080)	**96 636**

PAYE and UIF

Amount paid - current year	4 674 269	4 483 876

Pension and Medical Aid Deductions

Amount paid - current year	5 261 808	4 720 551

VAT

VAT receivable	12 297 113	1 854 299

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
BE Seakge	1 335	3 323	4 658
GP Denaicos	4 900	905	5 805
SJ Magomo	1 340	3 501	4 841
J Nyamane	1 335	2 037	3 372
MM Lentsa	6 902	14 816	21 718
BC Groep	1 582	7 368	8 950
	17 394	**31 950**	**49 344**

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
BE Seakge	400	728	1 128
J Nyamane	591	13 030	13 621
JE Ditira/Magomo	649	13 125	13 774
AF Bartleman	273	-	273
	1 913	**26 883**	**28 796**

Notes to the Financial Statements

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 and/or condoned by the Accounting Officer and noted by the Board of Directors.

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

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Incident	Number of deviations 2017	Rand value 2017	Number of deviations 2016	Rand value 2016
Emergency	3	313 263	4	205 911
Sole provider	17	2 142 630	9	1 781 296
In any other exceptional case where it is impossible to follow the official procurement processes	29	680 710	27	624 976
	49	**3 136 603**	**40**	**2 612 183**

53. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendixes for the comparison of actual operating expenditure versus budgeted expenditure.