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

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local munucipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS184
Grading of local authority	Local high capacity municipality.
Executive Mayor	Speelman NW
Members of the Mayoral Committe	Speelman NW - Executive Major
	Direko DR - Spatial planning and land use management
	Kabi M - Policy and Planing
	Khalipha TD - Human Settlement
	Lushaba TB - Community Services
	Manase SD - Finance
	Mawela VE - Corporate Services
	Morris VR - Public Safety
	Radebe MC - Local Economic Development
	Radebe M L - Intergrated development Planning
	Tshopo M E - Technical Services / infrastructure
Councillors	Badebhorst M J M
	Badenhorst HS
	Botha P F
	Chaka MS
	Claasen Malherbe C
	Daly A
	Jacobs EJ
	Khetsi LE
	Khothule MJ
	Letlhake TW
	Liphoko SJ
	Macingwane TM
	Mafa D
	Mafaisa MG
	Mahlumba BH
	Manenye AJ
	Manzana NR
	Marais JS
	Masienyane M D (MPAC Chair)
	Masina XN
	Meli T S
	Moipatle KV
	Mokhomo H A
	Molefi M
	Molelekoa P M I
	Moloja NJ
	Monjovo N E

General Information

	Moshoeu ZS Mosia TJ Mphikeleli M A Mthebere NA Nkonka TD Ngeobo ME Nthako TD Ntsebeng MH Ntuli BN Phofeli NM Pholo SJ Poo IP Presente LN Rakaki MM Ramabobu BM Ramalefane SJ Ramatisa PT Schleborch CJ (Resigned 31/05/2017) Sebotsa MM Senxezi ME Sephiri MJ Sithole MA Stofile B (Speaker) Styger A Talijaard S M D Thelingoane TJ Thelingoane NE Tlake K R Tsatsa SJ Tshabangu SE Tsoaeli MS Tsupa MR Van Rooyen MS Van Schalkwyk HCT
Accounting Officer	Tsoaeli T
Chief Financial Officer (CFO)	Sejake S (Acting)
Registered office	Civic Centre 319 Stateway Welkom Free State 9460
Postal address	PO Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited First National Bank

General Information

Attorneys	A full list of attorneys used during the year is available at the municipal offices.
Enabling legislation	Constitution of the Republic of South Africa, 1996(Act No 108 of 1996) Municipal Finance Management Act ,2003 (Act No. 56 of 2003) Municipal Property Rates Act ,2004 (Act No.6 of 2004) Municipal Stuctures Act, 1998 (Act No,117 of 1998) Municipal Systems Act ,2000 (Act No. 32 of 2000)
Website	www.matjhabeng.fs.gov.za

Index

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour is 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 financial statements set out on pages 6 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2017.

Tsoaeli T
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province and operates principally in South Africa.

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

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 2 361 909 711 and that the municipality's total assets exceed its liabilities by R 2 361 909 711.

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.

3. Subsequent events

During a council meeting held 31 August 2017 council resolved to write off the following amounts in respect of Irregular expenditure and Fruitless and wasteful expenditure as follows:

Council certified an amount of R413 701 258.00 incurred during 2016/2017 financial year as irrecoverable and to be written off as irregular expenditure.

Council certified an amount of R157 128 450 incurred during 2016/2017 financial year as irrecoverable and to be written off as fruitless and wasteful expenditure.

4. Accounting Officer

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

Surname and initials:
Tsoaeli T

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	10	6 727 272	9 055 237
Other receivables	11	22 594 263	27 059 034
Receivables from non-exchange transactions	12	123 606 074	131 261 067
VAT receivable	13	451 214 336	182 623 935
Receivables from exchange transactions	14	628 351 286	589 688 720
Cash and cash equivalents	15	2 768 694	11 520 330
		1 235 261 925	**951 208 323**
Non-Current Assets			
Investment property	3	943 569 450	732 286 404
Property, plant and equipment	4	4 474 627 747	4 527 767 758
Heritage assets	5	7 104 349	7 104 349
Other financial assets	6	332 598	330 990
Receivables from non exchange transaction	8	27 871	511 134
Receivables from exchange transaction	9	276 196	4 060 246
		5 425 938 211	**5 272 060 881**
Total Assets		**6 661 200 136**	**6 223 269 204**
Liabilities			
Current Liabilities			
Bank overdraft	15	7 644 182	2 603 485
Unspent conditional grants and receipts	16	-	1 004 295
Payables from exchange transactions	18	3 753 085 015	2 815 800 231
Consumer deposits	19	38 320 875	36 250 584
Employee benefit obligation	7	12 535 673	11 163 511
		3 811 585 745	**2 866 822 106**
Non-Current Liabilities			
Employee benefit obligation	7	437 313 953	394 801 261
Provisions	17	50 390 727	49 457 418
		487 704 680	**444 258 679**
Total Liabilities		**4 299 290 425**	**3 311 080 785**
Net Assets		**2 361 909 711**	**2 912 188 419**
Accumulated surplus		2 361 909 711	2 912 188 419

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	1 055 961 257	944 122 582
Rental of facilities and equipment	21	12 969 472	9 117 277
Commissions received	22	11 118 362	11 122 174
Other income	23	20 474 249	27 147 462
Interest received	24	154 335 991	127 102 109
Dividends received	24	14 033	17 251
Licences and permits	27	79 752	67 371
Total revenue from exchange transactions		**1 254 953 116**	**1 118 696 226**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	279 795 592	262 455 047
Transfer revenue			
Government grants & subsidies	26	505 354 799	527 662 693
Donations received	28	209 300 121	40 887 463
Fines	54	5 040 953	11 207 303
Total revenue from non-exchange transactions		**999 491 465**	**842 212 506**
Total revenue		**2 254 444 581**	**1 960 908 732**
Expenditure			
Employee related costs	29	(654 633 722)	(611 810 850)
Remuneration of councillors	30	(28 790 999)	(27 190 642)
Depreciation	31	(210 591 424)	(207 909 516)
Finance costs	32	(225 560 704)	(119 574 046)
Debt impairment	33	(350 487 460)	(642 251 730)
Repairs and maintenance		(71 864 414)	(39 768 465)
Bulk purchases	34	(893 422 073)	(854 953 164)
Contracted services	35	(167 483 479)	(110 460 829)
General Expenses	36	(208 156 182)	(157 826 422)
Impairment loss	56	-	(255 832)
Total expenditure		**(2 810 990 457)**	**(2 772 001 496)**
Operating deficit		**(556 545 876)**	**(811 092 764)**
Actuarial gain / (loss) on employee benefits	7	6 265 561	(20 628 827)
Fair value adjustments	37	1 608	38 323 690
Gain on disposal of assets and liabilities	55	-	16 098
		6 267 169	**17 710 961**
Deficit for the year		**(550 278 707)**	**(793 381 803)**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	3 683 788 029	3 683 788 029
Adjustments		
Prior year adjustments	21 782 191	21 782 191
Balance at 01 July 2015 as restated*	**3 705 570 220**	**3 705 570 220**
Changes in net assets		
Surplus for the year as previously reported	(750 719 211)	(750 719 211)
Total changes	(750 719 211)	(750 719 211)
Opening balance as previously reported	2 954 851 009	2 954 851 009
Adjustments		
Prior year adjustments	(42 662 593)	(42 662 593)
Restated* Balance at 01 July 2016 as restated*	**2 912 188 419**	**2 912 188 419**
Changes in net assets		
Surplus for the year	(550 278 708)	(550 278 708)
Total changes	(550 278 708)	(550 278 708)
Balance at 30 June 2017	**2 361 909 711**	**2 361 909 711**

* See Note 44

Matjhabeng Local Municipality

(Registration number FS 184)
Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 110 657 899	853 818 583
Grants		504 350 504	522 642 502
Interest income		2 207 220	3 230 005
Dividends received		14 033	17 251
Other receipts		54 147 559	53 057 432
		1 671 377 215	1 432 765 773
Payments			
Employee costs		(650 570 382)	(600 014 777)
Suppliers		(863 645 013)	(736 560 343)
Finance costs		(260 194)	(114 539)
		(1 514 475 589)	(1 336 689 659)
Net cash flows from operating activities	39	**156 901 626**	**96 076 114**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(159 530 453)	(93 156 132)
Proceeds from sale of property, plant and equipment	4	-	16 450
Proceeds from sale of financial assets		-	18 862 179
Net cash flows from investing activities		**(159 530 453)**	**(74 277 503)**
Cash flows from financing activities			
Employee benefit obligation payments		(11 163 507)	(12 848 529)
Net increase/(decrease) in cash and cash equivalents		**(13 792 334)**	**8 950 082**
Cash and cash equivalents at the beginning of the year		8 916 845	(33 240)
Cash and cash equivalents at the end of the year	15	**(4 875 489)**	**8 916 842**

* See Note 44

Matjhabeng Local Municipality
(Registration number FS 184)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 196 988 000	-	**1 196 988 000**	1 055 961 257	**(141 026 743)**	Note 57.1
Rental of facilities and equipment	11 469 000	-	**11 469 000**	12 969 472	**1 500 472**	Note 57.2
Licences and permits	42 000	-	**42 000**	79 752	**37 752**	Note 57.3
Commissions received	11 230 000	-	**11 230 000**	11 118 362	**(111 638)**	< 10%
Other income	84 292 000	-	**84 292 000**	20 474 249	**(63 817 751)**	Note 57.4
Interest received - investment	122 604 000	-	**122 604 000**	154 335 991	**31 731 991**	Note 57.5
Gains on disposal of assets	20 000 000	20 000 000	**40 000 000**	-	**(40 000 000)**	Note 57.6
Dividends received	18 000	-	**18 000**	14 033	**(3 967)**	Note 57.7
Total revenue from exchange transactions	**1 446 643 000**	**20 000 000**	**1 466 643 000**	**1 254 953 116**	**(211 689 884)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	201 665 000	-	**201 665 000**	279 795 592	**78 130 592**	Note 57.8
Transfer revenue						
Government grants & subsidies	502 155 000	-	**502 155 000**	505 354 799	**3 199 799**	<10%
Public contributions and donations	-	-	**-**	209 300 121	**209 300 121**	Note 57.9
Fines	4 374 000	-	**4 374 000**	5 040 953	**666 953**	Note 57.10
Total revenue from non-exchange transactions	**708 194 000**	**-**	**708 194 000**	**999 491 465**	**291 297 465**	
Total revenue	**2 154 837 000**	**20 000 000**	**2 174 837 000**	**2 254 444 581**	**79 607 581**	
Expenditure						
Employee cost	(620 099 000)	-	**(620 099 000)**	(654 633 722)	**(34 534 722)**	<10%
Remuneration of councillors	(28 552 000)	-	**(28 552 000)**	(28 790 999)	**(238 999)**	<10%
Depreciation	(87 000 000)	-	**(87 000 000)**	(210 591 424)	**(123 591 424)**	Note 57.11
Impairment loss	(70 000 000)	-	**(70 000 000)**	-	**70 000 000**	Note 57.12
Finance costs	(105 980 000)	-	**(105 980 000)**	(225 560 704)	**(119 580 704)**	Note 57.13
Debt impairment	-	-	**-**	(350 487 460)	**(350 487 460)**	Note 57.14
Repairs and maintenance	(230 691 000)	-	**(230 691 000)**	(71 864 414)	**158 826 586**	Note 57.15
Bulk purchases	(676 436 000)	-	**(676 436 000)**	(893 422 073)	**(216 986 073)**	Note 57.16
Contracted Services	(80 000 000)	-	**(80 000 000)**	(167 483 479)	**(87 483 479)**	Note 57.17
General Expenses	(137 977 000)	-	**(137 977 000)**	(208 156 183)	**(70 179 183)**	Note 57.18
Total expenditure	**(2 036 735 000)**	**-**	**(2 036 735 000)**	**(2 810 990 458)**	**(774 255 458)**	
Operating Surplus	**118 102 000**	**20 000 000**	**138 102 000**	**(556 545 877)**	**(694 647 877)**	
Actual gain (loss) on employee benefits	-	-	**-**	6 265 561	**6 265 561**	Note 57.19
Fair value adjustments	-	-	**-**	1 608	**1 608**	Note 57.20
	-	**-**	**-**	**6 267 169**	**6 267 169**	
Deficit before taxation	**118 102 000**	**20 000 000**	**138 102 000**	**(550 278 708)**	**(688 380 708)**	

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
Actual Amount	**118 102 000**	**20 000 000**	**138 102 000**	**(550 278 708)**	**(688 380 708)**	

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	365 000 000	-	**365 000 000**	6 727 272	**(358 272 728)**	57.21
Other receivables	100 000 000	-	**100 000 000**	22 594 263	**(77 405 737)**	57.22
Receivables from non-exchange transactions	-	-	**-**	123 606 075	**123 606 075**	57.23
VAT receivable	-	-	**-**	451 214 336	**451 214 336**	57.24
Receivables from exchange transactions	2 200 000 000	-	**2 200 000 000**	628 351 286	**(1 571 648 714)**	57.23
Cash and cash equivalents	70 000 000	-	**70 000 000**	2 768 694	**(67 231 306)**	>15%
	2 735 000 000	**-**	**2 735 000 000**	**1 235 261 926**	**(1 499 738 074)**	
Non-Current Assets						
Investment property	480 000 000	-	**480 000 000**	943 569 450	**463 569 450**	57.27
Property, plant and equipment	5 000 000 000	-	**5 000 000 000**	4 474 627 747	**(525 372 253)**	57.26
Heritage assets	-	-	**-**	7 104 349	**7 104 349**	57.24
Other financial assets	1 322 000	-	**1 322 000**	332 598	**(989 402)**	57.28
Receivables from non exchange transaction	-	-	**-**	27 871	**27 871**	57.23
Receivables from exchange transaction	7 000 000	-	**7 000 000**	276 196	**(6 723 804)**	57.23
	5 488 322 000	**-**	**5 488 322 000**	**5 425 938 211**	**(62 383 789)**	
Total Assets	**8 223 322 000**	**-**	**8 223 322 000**	**6 661 200 137**	**(1 562 121 863)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	1 900 000 000	-	**1 900 000 000**	3 753 085 017	**1 853 085 017**	57.25
Consumer deposits	30 000 000	-	**30 000 000**	38 320 875	**8 320 875**	57.36
Employee benefit obligation	-	-	**-**	12 535 673	**12 535 673**	57.28
Bank overdraft	-	-	**-**	7 644 182	**7 644 182**	57.37
	1 930 000 000	**-**	**1 930 000 000**	**3 811 585 747**	**1 881 585 747**	
Non-Current Liabilities						
Employee benefit obligation	300 000 000	-	**300 000 000**	437 313 953	**137 313 953**	57.28
Provisions	20 000 000	-	**20 000 000**	50 390 727	**30 390 727**	58.28
	320 000 000	**-**	**320 000 000**	**487 704 680**	**167 704 680**	
Total Liabilities	**2 250 000 000**	**-**	**2 250 000 000**	**4 299 290 427**	**2 049 290 427**	
Net Assets	**5 973 322 000**	**-**	**5 973 322 000**	**2 361 909 710**	**(3 611 412 290)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 973 322 000	-	**5 973 322 000**	2 361 909 710	**(3 611 412 290)**	

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						
Property rates, penalties & collection charges	181 498 000	-	**181 498 000**	-	**(181 498 000)**	
Service charges	1 048 679 000	-	**1 048 679 000**	921 278 854	**(127 400 146)**	
Grants	502 155 000	-	**502 155 000**	504 350 504	**2 195 504**	>10%
Interest income	122 604 000	-	**122 604 000**	2 207 220	**(120 396 780)**	
Dividends received	18 000	-	**18 000**	14 033	**(3 967)**	>10%
Other revenue	81 343 000	-	**81 343 000**	54 147 559	**(27 195 441)**	57.29
	1 936 297 000	**-**	**1 936 297 000**	**1 481 998 170**	**(454 298 830)**	
Payments						
Suppliers and employee costs	(1 705 588 000)	-	**(1 705 588 000)**	(1 324 836 349)	**380 751 651**	57.25
Finance costs	(105 980 000)	-	**(105 980 000)**	(260 195)	**105 719 805**	57.30
Other payments	(32 850 000)	-	**(32 850 000)**	-	**32 850 000**	57.25
	(1 844 418 000)	**-**	**(1 844 418 000)**	**(1 325 096 544)**	**519 321 456**	
Net cash flows from operating activities	**91 879 000**	**-**	**91 879 000**	**156 901 626**	**65 022 626**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	20 000 000	20 000 000	**40 000 000**	-	**(40 000 000)**	57.31
Decrease/(Increase) in non current debtors	287 983 000	-	**287 983 000**	-	**(287 983 000)**	57.32
Decrease/(Increase) in non current debtors	35 000 000	-	**35 000 000**	-	**(35 000 000)**	57.32
Purchase of capital assets	(133 363 000)	(20 000 000)	**(153 363 000)**	(159 530 453)	**(6 167 453)**	>10%
Net cash flows from investing activities	**209 620 000**	**-**	**209 620 000**	**(159 530 453)**	**(369 150 453)**	
Cash flows from financing activities						
Increase/(Decrease) in consumer deposits	15 000 000	-	**15 000 000**	-	**(15 000 000)**	57.32
Short term loans	10 000 000	-	**10 000 000**	-	**(10 000 000)**	57.33
Employee Benefit obligation payment	-	-	**-**	(11 163 507)	**(11 163 507)**	57.34
Net cash flows from financing activities	**25 000 000**	**-**	**25 000 000**	**(11 163 507)**	**(25 000 000)**	
Net increase/(decrease) in cash and cash equivalents	326 499 000	-	**326 499 000**	(13 792 334)	**(329 127 827)**	
Cash and cash equivalents at the beginning of the year	(322 324 000)	-	**(322 324 000)**	8 916 845	**331 240 845**	57.35
Cash and cash equivalents at the end of the year	**4 175 000**	**-**	**4 175 000**	**(4 875 489)**	**2 113 018**	
Reconciliation						

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.

These accounting policies are consistent with the previous period and in some cases additional information was included in the accounting policies.

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 a going concern for at least the next 12 months.

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.

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Accounting Policies

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.

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.

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 17 - 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 property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Employee benefit obligation

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 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 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 7.

Provision for impairment of receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.4 Investment property

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

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

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

1.4 Investment property (continued)

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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

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

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

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

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

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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

Subsequent measurements:

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Transport assets	Straight line	4 - 15 years
Infrastructure	Straight line	3 - 100 years
Other movable assets	Straight line	2 - 20 years
Landfill rehabilitation asset	Straight line	8 - 20 years
Buildings	Straight line	2 - 50 years

The residual value, and the useful life and depreciation method of each asset is 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.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

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

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

1.6 Site restoration and dismantling cost

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

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.7 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

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

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Other Financial assets	Financial asset measured at fair value
Other receivables	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivelents	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
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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.

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:

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 shall :
  - 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 shall 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 shall 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 shall 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 debited by the entity directly to net assets, net of any related income tax benefit where applicable. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit where applicable.

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

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

1.9 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the 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 municipality accounts for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - 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.

1.10 Leases (continued)

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.

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

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

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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.

1.12 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary 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.

Identification

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.

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.

Accounting Policies

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 assesses 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.

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 those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

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

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

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.

1.14 Employee benefits

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

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or

1.14 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Post-employment benefits

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

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

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

1.14 Employee benefits (continued)

Other long term employee benefit

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

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.

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 contingent liability is:
- 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
- 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.

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

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Accounting Policies

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

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

1.17 Revenue from exchange transactions (continued)

Interest, 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.

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.

1.18 Revenue from non-exchange transactions

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

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

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

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

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

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

1.21 Comparative figures

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

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.

Accounting Policies

1.22 Unauthorised expenditure (continued)

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

1.23 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 32 of the MFMA 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 circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, Act 56 of 2003 on 10 May 2013 requires the following:

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

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

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

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

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

1.25 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.

1.25 Budget information (continued)

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 01/07/2016 to 30/06/2017.

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

1.26 Related parties

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

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

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

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

1.27 Events after reporting date

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

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

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

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

1.28 Consumer deposits

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payables.

1.29 Unspent conditional grants and receipts

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

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, an effective date has not yet been set by the Minister of Finance.

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.
- 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;

2. New standards and interpretations (continued)

- Related party transactions; and
- Remuneration of management

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

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

The Impact of this standard is currently being assessed.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the 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 set the effective date for the standard.

The Impact of this standard is currently being assessed.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the 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 set the effective date for the standard.

The Impact of this standard is currently being assessed.

GRAP 109: Accounting by Principals and Agents

This Interpretation of the Standards of GRAP provides guidance 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.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

2. New standards and interpretations (continued)

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

The Impact of this standard is currently being assessed.

iGRAP 17 Service Concession Arrangement Where a Grantor Contrils a Significat Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement but only controls, through ownership, beneficial entitlement otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangement

The effective dates is not yet gazetted by the minister

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

The Impact of this standard is currently being assessed.

3. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	943 569 450	-	943 569 450	732 286 404	-	732 286 404

Reconciliation of investment property - 2017

	Opening balance	Additions	Transfers	Total
Investment property	732 286 404	209 300 121	1 982 925	943 569 450

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	693 954 498	38 331 906	732 286 404

Pledged as security

No property was pledged as security for any financial liability.

There are no contractual obligations on investment property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand

4. 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 and buildings	135 720 027	(38 448 689)	97 271 338	132 781 319	(34 603 820)	98 177 499
Transport assets	129 143 105	(57 002 537)	72 140 568	129 043 855	(48 353 773)	80 690 082
Infrastructure	8 249 143 554	(4 013 104 635)	4 236 038 919	8 100 951 927	(3 826 275 324)	4 274 676 603
Other movable assets	38 741 705	(21 657 636)	17 084 069	32 423 762	(17 344 027)	15 079 735
Landfill rehabilitation assets	79 926 415	(27 833 562)	52 092 853	80 022 530	(20 878 691)	59 143 839
Total	**8 632 674 806**	**(4 158 047 059)**	**4 474 627 747**	**8 475 223 393**	**(3 947 455 635)**	**4 527 767 758**

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and buildings	98 177 499	2 938 708	(3 844 869)	97 271 338
Transport assets	80 690 082	99 250	(8 648 764)	72 140 568
Infrastructure	4 274 676 603	148 191 628	(186 829 312)	4 236 038 919
Other movable assets	15 079 735	6 317 943	(4 313 609)	17 084 069
Landfill rehabilitation assets	59 143 839	(96 115)	(6 954 870)	52 092 854
	4 527 767 758	**157 451 414**	**(210 591 424)**	**4 474 627 748**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through entity combinations	Disposals	Depreciation	Impairment loss	Total
Land and buildings	102 022 368	-	-	-	(3 844 869)	-	98 177 499
Transport assets	82 797 153	6 509 144	-	(352)	(8 430 526)	(185 337)	80 690 082
Infrastructure	4 333 275 171	126 689 603	-	-	(185 288 171)	-	4 274 676 603
Other movable assets	17 687 186	844 848	-	-	(3 381 803)	(70 496)	15 079 735
Landfill rehabilitation assets	64 455 317	-	1 652 667	-	(6 964 145)	-	59 143 839
	4 600 237 195	**134 043 595**	**1 652 667**	**(352)**	**(207 909 514)**	**(255 833)**	**4 527 767 758**

Pledged as security

None of these assets were pledged as security.

Other information

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)		
Transport assets	9 467 408	10 611 502

A total number of 46 transport assets as disclosed above are kept locked up at the premises of a supplier of services due to alleged non-payment for services delivered to the municipality. The supplier refused access to the premises or the vehicles to municipal staff. The municipality is in a process to contest the invoices and claims of the supplier. The case is currently served in court and the list of assets are recorded on the Sheriffs records. The assets were taken by the Sherrif on 21 October 2014.

Some of these assets were released on 07 July 2017 after arrangements were made with supplier.

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Work in progress	261 386 196	86 506 093	2 938 708	350 830 997

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Total
Work in progress	187 632 902	51 213 245	238 846 147

The municipality did not have any long overdue work in progress projects that have taken significant longer periods to complete.

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.

Repairs and maintenance per class of asset

	2017	2016
Buidings	3 194 667	2 348 636
Infrastructure	56 865 797	35 262 863
Vehicles	11 803 950	2 156 966
	71 864 414	**39 768 465**

Figures in Rand	2017	2016

5. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	4 747 835	-	4 747 835	4 747 835	-	4 747 835
Mayoral chains	2 356 514	-	2 356 514	2 356 514	-	2 356 514
Total	**7 104 349**	**-**	**7 104 349**	**7 104 349**	**-**	**7 104 349**

Reconciliation of heritage assets 2017

	Opening balance	**Total**
Historical buildings	4 747 835	4 747 835
Mayoral chains	2 356 514	2 356 514
	7 104 349	**7 104 349**

Reconciliation of heritage assets 2016

	Opening balance	**Total**
Historical buildings	4 747 835	4 747 835
Mayoral chains	2 356 514	2 356 514
	7 104 349	**7 104 349**

Pledged as security

None of these assets were pledged as security.

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.

6. Other financial assets

Designated at fair value		
Unlisted shares	332 598	330 990
The unlisted shares consist of 17,238 (2016:17,238) equity shares in Senwes Limited and 26,435 (2016:26,435) equity shares in Senwesbel Limited.		

Non-current assets		
Designated at fair value	332 598	330 990

Figures in Rand	2017	2016

6. Other financial assets (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

	2017	2016
Level 2		
Class 1 (Unlisted shares)	332 598	330 990

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Financial assets pledged as collateral

Collateral

	2017	2016
Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	-	-

7. Employee benefit obligations

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

	2017	2016
Carrying value		
Present value of the post employment medical aid benefit	(408 950 821)	(368 850 962)
Present value of the long service awards benefit	(40 898 805)	(37 113 810)
	(449 849 626)	**(405 964 772)**
Non-current liabilities	(437 313 953)	(394 801 261)
Current liabilities	(12 535 673)	(11 163 511)
	(449 849 626)	**(405 964 772)**

These obligations are not a funded arrangement, no separate assets have been set aside currently to meet these obligations.

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

	2017	2016
Opening balance	405 964 772	349 773 364
Net expense recognised in the statement of financial performance	43 884 854	56 191 408
	449 849 626	**405 964 772**

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Service cost	23 436 725	17 499 056
Interest cost	37 877 201	30 912 050
Actuarial (gains) / losses	(6 265 561)	20 628 827
Expected benefits paid	(11 163 511)	(12 848 525)
	43 884 854	**56 191 408**

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
- Bonitas
- Hosmed
- Discovery
- Key-health
- LA Health
- Samwumed

Long service benefits

The municipality's liability for long-service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALBGC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses is payable to employees for long service. Bonuses are payable in the following scales:

Years of service completed	Percentage of annual salary as bonus	Additional leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 25 - 45 Years	6%	15 days

Calculation of actuarial gains and losses

Actuarial (gains) / losses – long service	91 946	7 393 777
Actuarial (gains) / losses – medical aid	(6 357 507)	13 235 050
	(6 265 561)	**20 628 827**

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

CPI (medical aid)	6.82 %	7.07 %
CPI (long service)	5.52 %	6.34 %
Discount rate (Medical aid)	9.94 %	9.54 %
Discount rates used (long service awards)	8.72 %	8.65 %
Medical aid infltion rates (medical aid)	8.32 %	8.57 %
Net discount rate (long service awards)	2.07 %	0.93 %
Net discount rate (medical aid)	1.50 %	0.93 %
Salary increase rate (long service awards)	6.52 %	7.00 %
Continuation percentage	100.00 %	100.00 %

Other assumptions

The effect of a one percentage increase / decrease in the net discount rate is as follows for the 2017 financial year:

	1% point increase	**1% point decrease**
Employer's accrued liability (long service awards)	43 723 279	38 345 505
Employer's expenses cost (long service awards)	3 930 410	3 389 219
Employer's accrued liability (medical aid)	352 390 788	480 131 001
Service cost (medical aid)	19 923 394	29 028 099
Interest (long service awards)	3 696 792	3 228 747
Interest (medical aid)	38 010 669	42 481 710

The municipality expects to pay benefits of R9,888,182 towards post-retirement medical aid and R2,647,491 towards long service benefits to its employee benefits in the next financial year.

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

	2017 R	**2016 R**	**2015 R**	**2014 R**	**2013 R**
Defined benefit obligation	(449 849 626)	(405 964 772)	(349 773 364)	(322 410 090)	(305 077 529)

Notes to the Financial Statements

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councilors, who belong to different defined retirement contribution plans which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

The following plans are multi-employer funds and are defined contribution plans:
- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councilors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:
- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution ofthe participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The amount recognised as an expense for the defined contribution plan is	43 884 854	56 191 408

8. Receivables from non exchange transaction

Receivables from non-exchange transactions pledged as security:

None of the consumer receivables were pledged as security.

Renegotiated terms:

None of the receivables that are fully performing have been renegotiated in the last year.

Fair value of receivables:

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2017, receivables from non-exchange transaction (non-current) of R1 133 295 (2016: R1 980 562) were impaired and provided for.

The following factors was considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

9. Receivables from exchange transaction

	2017	2016
Non current arrangements - services	9 885 935	20 257 060
Allowance for impairment	(9 609 739)	(16 196 814)
	276 196	**4 060 246**

Services aging for arrangements

	2017	2016
91+ days	276 196	4 060 246

Receivables from exchange transactions pledged as security:

None of the receivables from exchange transactions were pledged as security.

Renegotiated terms:

None of the receivables that are fully performing have been renegotiated in the last year

Fair value of receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from exchange transactions impaired:

As of 30 June 2017, receivables from exchange transaction (non-current) of R9 609 739 (2016: R16 196 814) were impaired and provided for.

The following factors was considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

10. Inventories

	2017	2016
Consumable stores	4 785 336	7 499 133
Water in reservoirs and pipelines	1 941 936	1 556 104
	6 727 272	**9 055 237**

	2017	2016
Stock losses due to theft (2017: Case number 95/02/2017),(2016: Case number 596/06/2016)	216 888	81 239
Inventories recognised as an expense during the year - Water. Refer to note 34	468 651 889	451 755 625

Inventories recognised as an expense during the year - Other. Refer to note 36.

Inventory pledged as security

None of the inventory was pledged as security for any financial liability of the municipality.

11. Other receivables

	2017	2016
Accrued interest	64 222	106 572
Consumer deposits receivable	5 884 740	5 884 740
Deposits	9 850	9 850
Sundry receivables	6 809 798	3 142 722
Traffic fines receivable	9 825 653	17 915 150
	22 594 263	**27 059 034**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Other receivables (continued)

Other receivables pledged as security

None of the other receivables were pledged as security during the year.

Fair value of other receivables

The carrying value of consumer deposits approximate their fair values.

Other receivables past due but not impaired

None of the other receivables are considered to be impaired.

Other receivables impaired:

As of 30 June 2017, none of the other receivables were impaired and provided for.

The following factors was considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

12. Receivables from non-exchange transactions

Consumer receivables - rates	311 218 706	304 942 921
Allowance for impairment - rates	(187 612 632)	(173 681 854)
	123 606 074	**131 261 067**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

At 30 June 2017, R7 708 429.79 (2016: R34 465 028.50) were past due but not impaired.

1 month past due	317 076	8 443 858
2 months past due	354 016	5 027 868
3 months past due	7 037 338	20 993 303

Rates aging		
Current (0 -30 days)	18 353 268	20 396 614
31 - 60 days	8 304 823	12 175 846
61 - 90 days	7 547 819	11 269 804
91 days +	278 173 962	263 592 353
Less: Allowance for impairment	(188 745 927)	(175 662 416)
	123 633 945	**131 772 201**

Figures in Rand	2017	2016

12. Receivables from non-exchange transactions (continued)

Fair value of receivables

The carrying value of the receivables from non-exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2017, receivables from non- exchange transactions of R188 745 927 (2016: R175 662 416) were impaired and provided for.

The following factors was considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

Renegotiated terms:
None of the receivables from non-exchange transactions that are fully performing have been renegotiated in the last year.

13. VAT receivable

	2017	2016
VAT	451 214 336	182 623 935

14. Receivables from exchange transactions

	2017	2016
Gross balances		
Electricity	256 439 743	218 888 057
Water	989 882 473	827 087 969
Sewerage	386 802 316	315 515 909
Refuse	261 249 361	213 330 414
Other receivables	3 973 078	4 571 836
Rentals	59 156 816	49 799 357
Sundries	93 419 672	85 704 088
Unmetered consumption - water	46 575 226	21 229 023
Unmetered consumption - electricity	73 215 306	61 300 537
Less: Non-current consumer receivables (Arrangements)	(9 885 935)	(20 257 060)
	2 160 828 056	**1 777 170 130**
Less: Allowance for impairment		
Electricity	(141 210 727)	(117 335 467)
Water	(778 272 326)	(593 406 095)
Sewerage	(292 445 969)	(240 983 687)
Refuse	(202 356 399)	(166 776 359)
Rentals	(50 639 929)	(30 281 866)
Sundries	(74 133 423)	(52 114 723)
Other receivables	(3 027 736)	(2 780 029)
Less: Non-current consumer receivables (Arrangements)	9 609 739	16 196 814
	(1 532 476 770)	**(1 187 481 412)**

Figures in Rand	2017	2016

14. Receivables from exchange transactions (continued)

Net balance		
Electricity	115 229 016	101 552 591
Water	211 610 146	233 681 874
Sewerage	94 356 347	74 532 222
Refuse	58 892 962	46 554 056
Rentals	8 516 887	19 517 491
Sundries	19 286 250	33 589 365
Other receivables	945 342	1 791 807
Unmetered consumption - water	46 575 226	21 229 023
Unmetered consumption - electricity	73 215 306	61 300 537
Non-current consumer receivables (Arrangements)	(276 196)	(4 060 246)
	628 351 286	**589 688 720**

Electricity		
Current (0 -30 days)	41 569 055	36 294 677
31 - 60 days	12 055 073	14 550 075
61 - 90 days	7 823 851	6 983 545
91 + days	194 991 763	161 059 761
Less: Impairment	(141 210 727)	(117 335 467)
	115 229 015	**101 552 591**

Water		
Current (0 -30 days)	44 561 919	53 473 992
31 - 60 days	25 449 343	33 175 663
61 - 90 days	36 447 532	21 276 106
91+ days	883 423 678	719 162 209
Less: Impairment	(778 272 326)	(593 406 096)
	211 610 146	**233 681 874**

Sewerage		
Current (0 -30 days)	12 871 708	11 311 220
31 - 60 days	13 631 524	8 829 417
61 - 90 days	8 947 181	8 206 870
91+ days	351 351 903	287 168 402
Less: Impairment	(292 445 969)	(240 983 687)
	94 356 347	**74 532 222**

Refuse		
Current (0 -30 days)	7 974 627	6 927 306
31 - 60 days	8 830 600	5 306 232
61 - 90 days	5 773 118	5 027 914
91+ days	238 671 016	196 068 963
Less: Impairment	(202 356 399)	(166 776 359)
	58 892 962	**46 554 056**

Notes to the Financial Statements

Figures in Rand	2017	2016

14. Receivables from exchange transactions (continued)

Rentals		
Current (0 -30 days)	2 715 969	698 592
31 - 60 days	873 003	692 311
61 - 90 days	858 361	695 457
91+ days	54 709 483	47 712 998
Less: Impairment	(50 639 929)	(30 281 866)
	8 516 887	**19 517 492**

Sundries		
Current (0 -30 days)	2 809 091	2 779 062
31 - 60 days	1 700 878	2 629 583
61 - 90 days	2 480 463	2 177 667
91+ days	86 429 240	78 068 217
Less: Impairment	(74 133 423)	(52 114 723)
	19 286 249	**33 539 806**

Sundry receivables consist mainly of connection fees, escort fees, miscellaneous fees as per tariff list, pounding fees and driving fees.

Other		
Current (0 -30 days)	40 516	95 193
31 - 60 days	17 986	22 593
61 - 90 days	15 836	13 873
91+ days	3 898 739	4 440 177
Less: Impairment	(3 027 736)	(2 780 030)
	945 341	**1 791 806**

Unmetered consumption - water		
Current (0 -30 days)	46 575 226	21 229 023

Unmetered consumption - electricity		
Current (0 -30 days)	73 215 306	61 300 537

Notes to the Financial Statements

Figures in Rand	2017	2016

14. Receivables from exchange transactions (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	81 091 001	79 005 751
31 - 60 days	54 501 933	54 850 684
61 - 90 days	57 123 416	39 260 011
91+ days	1 671 055 537	1 389 090 723
	1 863 771 887	1 562 207 169
Less: Allowance for impairment	(1 474 135 709)	(1 141 125 215)
	389 636 178	**421 081 954**
Business, Industrial and commercial		
Current (0 -30 days)	40 250 611	31 279 626
31 - 60 days	12 270 694	14 093 803
61 - 90 days	9 505 326	9 271 877
91+ days	349 619 113	316 382 331
	411 645 744	371 027 637
Less: Allowance for impairment	(225 362 417)	(204 713 465)
	186 283 327	**166 314 172**
National and provincial government		
Current (0 -30 days)	6 176 835	7 893 944
31 - 60 days	2 699 845	5 858 899
61 - 90 days	1 896 057	4 685 234
91 + days	32 859 791	4 219 563
	43 632 528	**22 657 640**
Indigents		
Current (0 -30 days)	4 109	26 454
31 - 60 days	2 047	87 306
61 - 90 days	11 052	41 379
91 + days	1 424 978	2 559 767
	1 442 186	2 714 906
Less: Allowance for impairment	(1 438 516)	(2 714 906)
	3 670	**-**
Farms and agriculture		
Current (0 -30 days)	3 371 329	2 962 810
31 - 60 days	1 386 477	2 491 026
61 - 90 days	1 354 521	2 392 735
91 + days	33 542 855	44 761 283
Less: Allowance for impairment	(29 895 793)	(36 825 715)
	9 759 389	**15 782 139**

Notes to the Financial Statements

Figures in Rand	2017	2016

14. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 37 455 693 (2016: R 27 144 485) were past due but not impaired.

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

1 month past due	2 699 845	10 814 218
2 months past due	1 896 057	3 064 512
3 months past due	32 859 791	13 265 755

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions impaired:

As of 30 June 2017, receivables from exchange transactions of R1 532 476 770 (2016: R1 187 481 412) were impaired and provided for.

The following factors was considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

Renegotiated terms:
None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of receivables from exchange transactions:
The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9 474	9 474
Short-term deposits	2 759 220	10 637 028
Collections account	-	873 828
Bank overdraft	(7 644 182)	(2 603 485)
	(4 875 488)	**8 916 845**

Current assets	2 768 694	11 520 330
Current liabilities	(7 644 182)	(2 603 485)
	(4 875 488)	**8 916 845**

No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.

The total amount of undrawn facilities available for future operating activities and commitments are as follows:

Figures in Rand	2017	2016

15. Consumer debtors disclosure (continued)

ACB mag tape debit facility	2 000 000	2 000 000
Housing guarantee	500 000	500 000
Fleet card	60 000	60 000

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

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

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents were pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA - Primary cheque account Acc no (40-5370-5465)	4 451 405	(482 599)	2 187 120	(5 130 060)	(836 542)	(775 550)
ABSA Market Cheque account Acc no (40-5644-3399)	100 315	918 032	1 497 072	(2 514 123)	(1 766 943)	(793 822)
FNB Collection Cheque account - Acc no (542-3117-3409)	-	873 828	785 576	-	873 828	785 576
ABSA Savings account Acc no (91-9461-7107)	2 754 004	9 870 795	1 000	2 754 004	9 870 795	1 000
ABSA Savings account Acc no (91-0668-4115)	1 064	1 000	1 201	1 059	1 000	1 201
ABSA Savings account Acc no (91-1114-1338)	1 056	1 000	1 011	1 051	1 000	1 011
ABSA Savings account Acc no (91-0668-4238)	1 065	1 000	1 077	1 060	1 000	1 077
ABSA Savings account Acc no (91-0668-4157)	1 016	1 000	1 001	1 014	1 000	1 001
ABSA Savings account Acc no (91-2351-5666)	1 016	1 000	1 002	1 014	1 000	1 002
FNB Call account Acc no (614-04001177)	-	5 140	5 074	-	5 140	5 074
FNB Call account Acc no (620-0350-3019)	-	756 093	709 079	-	756 093	709 079
Total	**7 310 941**	**11 946 289**	**5 190 213**	**(4 884 981)**	**8 907 371**	**(63 351)**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Integrated national electrification programme (INEP)	-	600 001
Energy efficiency and demand side management programme (EEDSM)	-	404 294
	-	**1 004 295**

Notes to the Financial Statements

Figures in Rand	2017	2016

16. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	1 004 295	6 024 486
Additions during the year	504 350 505	522 142 502
Income recognition during the year	(505 354 800)	(527 162 693)
	-	**1 004 295**

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

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

See note 26 for reconciliation of grants from National/Provincial Government.

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

Figures in Rand	2017	2016

17. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Discounting	Change in the net discount rate	Total
Rehabilitation of landfill sites	49 457 418	1 029 424	(96 115)	50 390 727

Reconciliation of provisions - 2016

	Opening Balance	Discounting	Change in the net discount rate	Total
Rehabilitation of landfill sites	50 144 032	(2 339 282)	1 652 668	49 457 418

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

The discount rate used for the landfill sites is based on a risk free rate which is in line with the useful life of the landfill sites.

The municipality has five active landfill sites, as per the asset register:

Landfill	Estimated useful life
Allanridge	8 years (2016: 9 years)
Henneman (Phomolong)	11 years (2016: 12 years)
Odendaalsrus	23 years (2016: 24 years)
Virginia (Transfer Station)	11 years (2016: 12 years)
Bronville (Welkom)	5 years (2016: 6 years)

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Discount rate assumptions (Additional information to the prior year financial statements)

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

	30 June 2017	30 June 2016	30 June 2015
Discount rate (D)	8.78 %	8.76 %	9.08 %
Consumer price inflation (C)	5.00 %	5.58 %	6.70 %
Net discount rate ((1+D)/(1+H)-1)	3.60 %	3.02 %	2.23 %

Movement in the closing balance of the provision

Active landfill sites - 30 June 2016	Opening balance 1 July 2015	Discounting	Movement due to change in net discount rate	Closing balance 30 June 2016
Odendaalsrus	12 649 265	(2 050 839)	774 277	11 372 703
Bronville (Welkom)	22 554 307	296 171	406 371	23 256 849
Allanridge	4 833 489	(89 122)	127 121	4 871 488

Notes to the Financial Statements

Figures in Rand			2017	2016

17. Provisions (continued)

Henneman (Phomolong)	8 056 132	(394 951)	274 915	7 936 096
Virginia (Transfer Station)	2 050 839	(100 542)	69 985	2 020 282
	50 144 032	**(2 339 283)**	**1 652 669**	**49 457 418**

Active landfill sites - 30 June 2017	**Opening balance 1 July 2016**	**Discounting**	**Movement due to change in net discount rate**	**Closing balance 30 June 2017**
Odendaalsrus	11 372 703	(535 523)	(45 735)	10 791 445
Bronville (Welkom)	23 256 849	1 214 951	(22 488)	24 449 312
Allanridge	4 871 488	170 474	(7 411)	5 034 551
Henneman (Phomolong)	7 936 096	143 094	(16 325)	8 062 865
Virginia (Transfer Station)	2 020 282	36 427	(4 155)	2 052 554
	49 457 418	**1 029 423**	**(96 114)**	**50 390 727**

18. Payables from exchange transactions

Accrued bonus	8 699 633	8 390 026
Accrued leave pay	67 057 194	64 977 157
Deferred income - pre paid electricity	1 600 000	1 300 000
Deposits received - halls and facilities	15 175	31 904
Eskom	1 464 169 380	957 081 689
Payments received in advance from consumer receivables	48 826 585	39 099 724
Salary control accounts	42 577 765	35 290 424
Sedibeng Water	1 886 576 057	1 552 021 591
Trade payables	233 563 226	157 607 716
	3 753 085 015	**2 815 800 231**

Fair value of trade and other payables

The carrying value of trade and other payables approximate their fair values.

19. Consumer deposits

Electricity and water	37 792 822	36 173 545
Key deposits	528 053	77 039
	38 320 875	**36 250 584**

Guarantees held in lieu of electricity and water deposits amounted to R 6,040,465 (2015: R 6,040,465)

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

Deposits are paid by lessees on application for new rental properties of the municipality.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximate their fair values.

Notes to the Financial Statements

Figures in Rand	2017	2016

20. Service charges

Sale of electricity	556 343 610	488 626 226
Sale of water	342 295 037	322 440 413
Sewerage and sanitation charges	149 194 731	128 256 386
Refuse removal	93 709 261	78 928 071
Less: Income foregone - indigents	(41 396 044)	(45 666 204)
Less: Municipal utilities	(44 185 337)	(28 462 310)
	1 055 961 258	**944 122 582**

21. Rental of facilities and equipment

Premises		
Premises	12 548 473	8 790 737
Facilities and equipment		
Rental of facilities	420 998	326 540
	12 969 471	**9 117 277**

22. Commission received

Commissions received	11 118 362	11 122 174

23. Other income

Connection fees	991 399	834 970
Disconnection fees	9 600 169	15 595 105
Meter fees	1 267 474	1 905 176
Monitoring fees	925 093	942 173
Services rendered	2 386 749	2 414 801
Sundry income	3 636 771	3 619 092
Sundry services	1 666 595	1 836 145
	20 474 250	**27 147 462**

24. Interest and dividends received

Dividend revenue		
Unlisted shares - Local	14 033	17 251
Interest revenue		
Bank and investments	2 207 220	3 230 005
Interest charged on consumer receivables	152 128 771	123 872 104
	154 335 991	**127 102 109**
	154 350 024	**127 119 360**

Notes to the Financial Statements

Figures in Rand	2017	2016

25. Property rates

Rates received

Commercial	125 361 490	169 549 572
Residential	86 085 094	83 795 254
Small holdings and farms	8 733 892	8 208 120
State	59 615 116	1 179 009
Less: Income foregone - indigents	-	(276 908)
	279 795 592	**262 455 047**

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Commercial	5 340 389 912	4 323 778 590
Residential	12 724 813 001	12 574 978 411
Small holdings and farms	3 231 362 480	3 233 122 480
State	1 809 671 200	1 532 569 900
Exempted	119 219 000	1 271 624 102
	23 225 455 593	**22 936 073 483**

Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2015, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

The first R 75,000 of the valuation of residential property is exempted from rates.

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies

Operating grants		
Equitable share	385 851 295	402 908 668
Extended public works program (EPWP)	1 131 000	1 072 000
Finance management grant (FMG)	1 810 000	1 675 000
Municipal systems improvement grant (MSIG)	-	930 000
Subsidies received	2 000 000	500 000
Sector education and training authority (SETA)	1 199 505	3 330 319
	391 991 800	**410 415 987**
Capital grants		
Energy efficiency and demand side management programme (EEDSM)	-	2 595 706
Municipal infrastructure grant (MIG)	113 363 000	114 651 000
	113 363 000	**117 246 706**
	505 354 800	**527 662 693**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	119 503 505	124 754 025
Unconditional grants received	385 851 295	402 908 668
	505 354 800	**527 662 693**

Equitable Share

Current year receipts	385 851 295	402 908 668
Conditions met - transfer to revenue	(385 851 295)	(402 908 668)
	-	**-**

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

Municipal infrastructure grant (MIG)

Current-year receipts	113 363 000	114 651 000
Conditions met - transferred to revenue	(113 363 000)	(114 651 000)
	-	**-**

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Finance Management Grant (FMG)

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

The purpose of this grant is to promote and support reforms to financial management and the implementation of the MFMA.

Municipal systems improvement grant (MSIG)

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

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

	-	-

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Integrated national electrification program (INEP)

Balance unspent at beginning of year	600 001	1 018 931
Current-year receipts	-	600 000
Grant withheld by National Treasury through equitable share	(600 001)	(1 018 930)
	-	**600 001**

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

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

* In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

Energy efficiency and demand side management programme (EEDSM)

Balance unspent at beginning of year	404 294	1 936 848
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(2 595 706)
Grant withheld by National Treasury through equitable share	(404 294)	(1 936 848)
	-	**404 294**

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

The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

* In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

Expanded public works programme (EPWP)

Balance unspent at beginning of year	-	743 889
Current-year receipts	1 131 000	1 072 000
Conditions met - transferred to revenue	(1 131 000)	(1 072 000)
Grant withheld by National Treasury through equitable share	-	(743 889)
	-	-

The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Sector education and training authority (SETA)

Balance unspent at beginning of year	-	2 324 817
Current-year receipts	1 199 506	1 005 502
Conditions met - transferred to revenue	(1 199 506)	(3 330 319)

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

	-	-

The purpose of this grant is to do skills development among employees and improve the auditing skills for municipalities.

Integrated National Electrification Programme (INEP)

Current-year receipts	-	6 900 000
Conditions met - transferred to revenue	-	(6 900 000)
	-	-

The purpose of this grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply in Eskom licensed areas. These allocations made to Eskom on behalf of municipalities based on applications from Eskom for no licensed municipalities.

The capital outlay in the Matjhabeng area was at the following townships: Thabong, Thandanani and Phomolong. Electricity is supplied by Eskom directly to these townships and not the municipality.

Subsidies

Current-year receipts (Provincial Treasury)	-	500 000
Current-year receipts (Cogta)	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	(500 000)
	-	-

Cooperative Governance and Traditional Affairs paid for the professional fees based on the turn around plan on behalf of the Municipality, in the prior year Provincial Treasury paid audit fees on behalf of the municipality to the Auditor General.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Licences and permits

Licences and permits	79 752	67 371

28. Donations received

Infrastructure & Investment property	209 300 121	40 887 463

The infrastructure of the township Thandanani 2010 was donanted to the Municipality by the Department of Human Settlement during the prior financial year.

During the current financial year two properties, Merriespruit and Masimong were donated by 'the Department of Human Settlement and Harmony Gold Mine to the municipality.

Notes to the Financial Statements

Figures in Rand	2017	2016

29. Employee related costs

Basic salaries	357 793 739	342 152 912
Bonuses	25 216 218	23 495 894
Pension	52 280 431	47 253 894
Other long term employee benefits	1 910 089	2 294 440
Employee benefits - medical aid	29 231 458	21 499 080
Group life insurance	1 552 792	1 353 647
Housing allowances	3 664 008	3 676 556
Leave pay provision charge	11 958 399	17 771 803
Medical aid	37 359 426	29 655 910
Other allowances	25 543 063	19 598 254
Overtime payments	67 307 940	63 497 852
Transport allowance	31 489 024	30 859 660
UIF	3 661 965	3 440 683
SDL	5 665 170	5 260 263
	654 633 722	**611 810 848**

Remuneration of Municipal Manager - Lepheane MF

Annual Remuneration	1 769 030	1 745 493
Leave pay	407 050	-
Contributions to UIF, Medical and Pension Funds	69 660	43 846
	2 245 740	**1 789 339**

The Municipal Manager was placed on special leave as per the council resolution number (5/2/2)(5/1/2/1) dated 14 February 2017.

Remuneration of Municipal Manager - Tsoaeli TE

Annual Remuneration	1 106 985	1 005 997
Car Allowance	363 894	363 894
Contributions to UIF, Medical and Pension Funds	206 285	182 864
	1 677 164	**1 552 755**

The Chief Financial Officer (Mr Tsoaeli) has been acting as Municipal Manager as from 15 February 2017.

Remuneration of Chief Financial Officer - Williams LB

Annual Remuneration	693 101	-
Car Allowance	187 142	-
Contributions to UIF, Medical and Pension Funds	126 915	-
	1 007 158	**-**

Manager Budget (Williams LB) has beeing acting as the Chief Financial Officer as from 14 February 2017.

Remuneration of Director Infrastructure - Maswanganyi HB (Tlhabane)

Annual Remuneration	946 649	-
Car Allowance	240 000	-
Contributions to UIF, Medical and Pension Funds	42 879	-
	1 229 528	**-**

Remuneration of Director Coprorate Support Services - Wetes FF

Figures in Rand	2017	2016

29. Employee related costs (continued)

Annual Remuneration	1 219 790	994 699
Contributions to UIF, Medical and Pension Funds	60 991	25 011
	1 280 781	**1 019 710**

Remuneration of Director Community Services - Mogopodi MRE

Annual Remuneration	845 354	989 446
Car Allowance	83 603	143 319
Contributions to UIF, Medical and Pension Funds	113 389	171 094
	1 042 346	**1 303 859**

The Director Corporate Services(Mogopodi MRE) left the services of the municipality as at 28 February 2017.

Remuneration Director Community Services - Atolo MT

Annual Remuneration	647 459	-
Car Allowance & Housing Subsidy	216 768	-
Contributions to UIF, Medical and Pension Funds	140 899	-
	1 005 126	**-**

Remuneration Director Strategic Support Services - Makofane TB

Annual Remuneration	1 189 349	1 156 318
Contributions to UIF, Medical and Pension Funds	37 203	24 913
	1 226 552	**1 181 231**

Remuneration Director Local Economic Development & Planning - Msweli XF

Annual Remuneration	969 188	1 152 104
Car Allowance	77 000	132 000
Contributions to UIF, Medical and Pension Funds	38 919	47 731
	1 085 107	**1 331 835**

The Director Local Economic Development & Planning(Msweli XF) has left the services of the municipality as at 28 February 2017

Remuneration Director Local Development & Planning - Mothekhe MMG

Annual Remuneration	639 186	-
Car Allowance	213 264	-
Contributions to UIF, Medical and Pension Funds	158 623	-
	1 011 073	**-**

30. Remuneration of councillors

Executive Mayor	1 050 798	964 775
Councillors	27 740 202	26 225 867
	28 791 000	**27 190 642**

Notes to the Financial Statements

Figures in Rand	2017	2016

30. Remuneration of councillors (continued)

In-kind benefits

The Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of separate Council owned vehicle for official duties, one full time driver and a bodyguard.

The Speaker has use of separate Council owned vehicle for official duties and a part time driver.

Details of remuneration for the year ended 30 June 2017

Name of councillor	Annual remuneration	Car allowance	Contributions to UIF, medical and pension funds	30 June 2017 Total
Badenhorst MJ	240 075	72 250	2 265	314 590
Bedenhost HS	216 422	64 462	-	280 884
Banyane ME	24 026	7 502	2 265	33 793
Beneke R	24 026	7 502	2 265	33 793
Botha PF	213 672	72 250	28 490	314 412
Chaka CP	26 140	7 502	2 265	35 907
Chaka MS	267 547	-	13 248	280 795
Claasen Malherbe C	216 422	64 462	-	280 884
Dali VN	22 777	7 502	3 518	33 797
Daly A	216 422	64 462	-	280 884
De Villiers MT	24 026	7 502	2 265	33 793
Direko DR	15 971	4 076	-	20 047
Direko DR	484 969	144 049	8 640	637 658
Fanie DS	24 026	7 502	2 265	33 793
Fourie JJC	24 026	7 502	2 265	33 793
Jacobs EJ	206 287	64 462	9 935	280 684
Kabi M	36 901	11 578	4 958	53 437
Kabi ME	427 450	144 048	28 973	600 471
Khalipha TD	442 314	144 049	14 400	600 763
Khalipha TD	35 866	11 578	4 958	52 402
Khetsi LE	206 287	64 462	9 935	280 684
Khothule MJ	206 287	64 462	9 935	280 684
Kockera SC	22 777	7 502	3 518	33 797
Letlhake TW	208 759	64 462	7 513	280 734
Liphoko SJ	216 422	64 462	-	280 884
Lushaba TB	15 971	4 076	-	20 047
Lushaba TB	490 332	144 049	12 281	646 662
Mabote TL	24 026	7 502	2 265	33 793
Macingwane TM	207 523	64 462	8 724	280 709
Mafa DM	216 865	72 250	28 489	317 604
Mafaisa MG	198 160	64 462	18 074	280 696
Mafongosi ZV	24 026	7 502	2 265	33 793
Mahlumba BH	262 754	69 580	16 403	348 737
Makgowe PV	23 812	7 502	3 518	34 832
Malefane DE	24 026	7 502	2 265	33 793
Manenye AJ	206 287	64 462	9 935	280 684
Manese SD	384 219	123 487	7 200	514 906
Manzana NR	202 274	64 462	13 955	280 691
Marais JS	242 384	72 250	-	314 634
Masienyane MD	54 458	17 423	6 513	78 394
Masienyane MD	15 317	5 028	1 440	21 785
Masienyane MD	464 284	86 877	40 207	591 368
Masina XN	244 968	64 462	7 513	316 943

30. Remuneration of councillors (continued)

Mawela VE	142 739	45 109	2 880	190 728
Mbambo AX	22 777	7 502	3 518	33 797
Mbana AM	14 531	4 076	1 440	20 047
Mbana AM	51 855	18 667	6 889	77 411
Mbana AM	223 345	72 498	7 200	303 043
Meli TS	215 840	72 250	27 378	315 468
Menyatso KJ	53 104	18 667	5 637	77 408
Mfebe MSE	51 855	18 667	6 889	77 411
Mholo PP	26 140	7 502	2 265	35 907
Mlangeni MG	24 026	7 502	2 265	33 793
Moipatle KV	198 160	64 462	18 074	280 696
Mokhomo HA	281 109	77 367	29 561	388 037
Mokotedi TG	24 026	7 502	2 265	33 793
Molefi M	260 500	-	21 386	281 886
Molelekoa PMI	233 249	72 250	12 201	317 700
Molelekoa PA	23 812	7 502	3 518	34 832
Molete TN	24 026	7 502	2 265	33 793
Moloja NJ	192 707	64 462	23 532	280 701
Molupe RT	22 777	7 502	3 518	33 797
Monjovo NE	214 707	72 250	28 490	315 447
Morris VR	37 981	11 578	4 958	54 517
Morris VR	442 314	144 049	14 400	600 763
Mosala MS	24 026	7 502	2 265	33 793
Moshoeu ZS	206 287	64 462	9 935	280 684
Mosia TJ	208 602	64 462	8 724	281 788
Mothege MA	25 061	7 502	2 265	34 828
Motshabi MP	53 104	18 667	5 637	77 408
Mphikeleli MA	291 796	77 367	13 272	382 435
Mthebere NA	216 422	64 462	-	280 884
Naude HJ	18 127	5 789	2 265	26 181
Ngangelizwe S	70 786	24 890	8 768	104 444
Ngesi TM	106 254	30 278	-	136 532
Nkonka BB	192 707	64 462	23 532	280 701
Nqeobo ME	93 263	27 844	-	121 107
Nqeobo ME	24 026	7 502	2 265	33 793
Nthako TD	220 930	52 884	8 724	282 538
Ntlele KI	24 026	7 502	2 265	33 793
Ntsebeng MH	191 267	64 462	24 972	280 701
Ntsebeng MH	51 855	18 667	6 889	77 411
Nthuli BN	206 287	64 462	9 936	280 685
Petleki KI	22 777	7 502	3 518	33 797
Phetise ME	24 891	7 502	3 518	35 911
Phofeli NM	210 662	64 462	5 760	280 884
Pholo SJ	200 089	64 462	17 977	282 528
Pina NJ	24 026	7 502	2 265	33 793
Poo IP	250 558	4 076	26 114	280 748
Presente LN	216 422	64 462	-	280 884
Qwesha GL	22 777	7 502	3 517	33 796
Radebe MC	36 901	11 578	4 958	53 437
Radebe ML	14 531	4 076	1 440	20 047
Radebe MC	419 819	144 049	37 716	601 584
Radebe ML	448 200	144 049	12 960	605 209
Radebe ML	51 855	18 667	6 889	77 411
Rakaki MM	206 287	64 462	9 935	280 684
Ramabobu BM	175 226	51 713	-	226 939
Ramalefane SJ	254 697	-	26 114	280 811
Ramatisa	257 114	-	23 695	280 809
Riet MI	25 061	7 502	2 265	34 828
Rubulana L	53 104	18 667	5 637	77 408

30. Remuneration of councillors (continued)

Schlebusch CJ	189 606	64 462	26 576	280 644
Sebotsa MM	220 540	41 305	18 881	280 726
Senxezi ME	207 782	64 462	8 640	280 884
Sephiri MJ	15 317	5 028	1 440	21 785
Sephiri MJ	424 957	141 681	37 716	604 354
Sephiri MJ	51 855	18 667	6 889	77 411
Sifatya Z	24 026	7 502	2 265	33 793
Sithole MA	206 287	64 462	9 935	280 684
Speelman NW	24 026	7 502	2 265	33 793
Speelman NW	740 766	205 588	-	946 354
Stofile B	543 636	184 382	44 913	772 931
Styger A	240 075	72 250	2 265	314 590
Taliwe FE	59 720	18 667	5 637	84 024
Taljaard SDM	222 986	72 250	19 358	314 594
Thateng MJ	25 061	7 502	2 265	34 828
Thelingoane TJ	229 940	72 250	12 201	314 391
Thelingoane NE	196 924	64 462	19 313	280 699
Tlake KR	225 101	72 250	19 358	316 709
Tlhone ML	42 073	8 526	4 320	54 919
Tlhone ML	63 900	5 184	8 246	77 330
Tsatsa SJ	213 672	72 250	28 490	314 412
Tshabangu SE	216 422	64 462	-	280 884
Tshopo ME	15 971	4 076	-	20 047
Tshopo ME	450 954	144 049	5 760	600 763
Tsoaeli ME	207 753	64 462	9 935	282 150
Tsubane ME	23 812	7 502	3 518	34 832
Tsubella KS	29 249	3 758	2 642	35 649
Tsupa MR	200 505	64 462	17 973	282 940
Twala MJ	53 104	18 667	5 637	77 408
Van Rooyen MS	240 075	72 250	2 265	314 590
Van Rooyen KV	25 061	7 502	2 265	34 828
Van Schalkwyk HCT	229 940	72 250	12 201	314 391
Vanga NM	22 777	7 502	3 517	33 796
Madumise MM(Court Order)	23 875	-	-	23 875
	21 180 734	**6 102 767**	**1 248 130**	**28 531 631**

Details of remuneration for the year ended 30 June 2016

Name of councillor	Annual remuneration	Car allowance	Contributions to UIF, medical and pension funds	30 June 2016 Total
Badenhorst MJ	202 865	69 471	26 415	298 751
Banyane ME	202 865	69 471	26 415	298 751
Beneke R	202 865	69 471	26 415	298 751
Botha PF	187 839	69 471	41 441	298 751
Chaka CP	202 865	69 471	26 415	298 751
Dali VN	187 839	69 471	41 441	298 751
De Villiers MT	202 865	69 471	26 415	298 751
Fanie DS	202 865	69 471	26 415	298 751
Fourie JJC	202 865	69 471	26 415	298 751
Kabi M	187 839	69 471	41 441	298 751
Khalipha TD	187 839	69 471	41 441	298 751
Kockera SC	187 839	69 471	41 441	298 751
Mabote TL	202 865	69 471	26 415	298 751
Madumise MM	202 865	69 471	26 415	298 751
Mafa DM	187 839	69 471	41 441	298 751
Mafongosi ZF	202 865	69 471	26 415	298 751

Notes to the Financial Statements

Figures in Rand	2017	2016

30. Remuneration of councillors (continued)

Makgowe PV	187 839	69 471	41 441	298 751
Malefane DE	202 865	69 471	26 415	298 751
Marais JS	229 280	69 471	-	298 751
Masienyane MD	428 361	161 335	76 512	666 208
Mbambo AX	187 839	69 471	41 441	298 751
Mbana AM	458 540	172 858	80 903	712 301
Meli TS	187 839	69 471	41 441	298 751
Menyatso KJ	461 044	172 858	78 399	712 301
Mfebe SE	458 540	172 858	80 903	712 301
Mholo PP	202 865	69 471	26 415	298 751
Mlangeni MG	202 865	69 471	26 415	298 751
Mokhomo HA	187 839	69 471	41 441	298 751
Mokotedi TG	202 865	69 471	26 415	298 751
Molelekoa PMI	202 865	69 471	26 415	298 751
Molelekoa PA	187 839	69 471	41 441	298 751
Molete TN	202 865	69 471	26 415	298 751
Molupe RT	187 839	69 471	41 441	298 751
Monjovo NE	187 839	69 471	41 441	298 751
Morris VR	187 839	69 471	41 441	298 751
Mosala MS	202 865	69 471	26 415	298 751
Mothege MA	202 865	69 471	26 415	298 751
Motshabi MP	473 566	172 858	65 877	712 301
Mphikeleli MA	202 865	69 471	26 415	298 751
Naude HJ	202 865	69 471	26 415	298 751
Ngangelizwe S	630 392	230 478	102 862	963 732
Ngeobo ME	151 957	52 103	20 003	224 063
Ntlele KI	202 865	69 471	26 415	298 751
Ntsebeng MH	458 540	172 858	80 903	712 301
Petleki KI	187 839	69 471	41 441	298 751
Phetise ME	187 839	69 471	41 441	298 751
Pina NJ	202 865	69 471	26 415	298 751
Qwesha GL	187 839	69 471	41 441	298 751
Radebe MC	187 839	69 471	41 441	298 751
Radebe ML	458 540	172 858	80 903	712 301
Riet MI	202 865	69 471	26 415	298 751
Rubulana L	473 566	172 858	65 877	712 301
Sephiri MJ	458 540	172 858	80 903	712 301
Sifatya Z	202 865	69 471	26 415	298 751
Speelman NW	202 865	69 471	26 415	298 751
Stofile B	488 720	184 382	85 295	758 397
Styger A	202 865	69 471	26 415	298 751
Taliwe FE	473 566	172 858	65 877	712 301
Taljaard SDM	187 839	69 471	41 441	298 751
Thateng MJ	202 865	69 471	26 415	298 751
Thelingoane TJ	202 865	69 471	26 415	298 751
Tlake KR	187 839	69 471	41 441	298 751
Tlhone ML	567 700	48 000	96 601	712 301
Tsatsa SJ	187 839	69 471	41 441	298 751
Tsubane ME	187 839	69 471	41 441	298 751
Tsubella KS	233 270	34 800	30 681	298 751
Twala MJ	473 566	172 858	65 877	712 301
Van Rooyen MS	202 865	69 471	26 415	298 751
Van Rooyen KV	202 865	69 471	26 415	298 751
Van Schalkwyk HCT	202 865	69 471	26 415	298 751
Vanga NM	187 839	69 471	41 441	298 751
	17 986 800	**6 260 583**	**2 930 384**	**27 177 767**

Notes to the Financial Statements

Figures in Rand	2017	2016

31. Depreciation and amortisation

Property, plant and equipment	210 591 424	207 909 516

32. Finance costs

Bank	260 195	114 537
Employee benefits	37 877 201	30 912 050
Trade and other payables	186 393 885	90 886 741
Provisions	1 029 424	(2 339 282)
	225 560 705	**119 574 046**

33. Debt impairment

Contributions to bad debt provision	350 487 460	642 251 730

Reconciliation of allowance for impairment

Balance at the beginning of the year	(1 379 340 642)	(903 419 595)
Contribution to allowance	(350 487 460)	(648 290 390)
VAT provision on impairment	(189 379 045)	-
Prior period error	-	6 038 660
Debt impairment written off against allowance	188 374 711	166 330 683
	(1 730 832 436)	**(1 379 340 642)**

Prior Period error on Impairment
The prior year impairment was overstated with Matjhabeng accounts amounting to R6 038 660.

34. Bulk purchases

Electricity	424 770 185	403 197 539
Water	468 651 889	451 755 625
	893 422 074	**854 953 164**

35. Contracted services

Legal services	19 103 569	18 258 434
Meter reading services	14 118 945	13 567 502
Professional services	59 713 281	30 517 964
Security services	61 485 946	42 812 969
Valuation services	13 061 737	5 303 960
	167 483 478	**110 460 829**

Figures in Rand	2017	2016

36. General expenses

Advertising	4 698 442	5 746 504
Audit fees	7 181 583	7 196 542
Bank charges	3 273 312	2 965 664
Cleaning	906 057	1 159 716
Community development and training	8 765 464	2 940 345
Conferences and seminars	241 973	32 500
Connection and disconnection of meters	11 178 089	6 251 903
Entertainment	1 507 566	1 232 734
Insurance	27 480 548	34 327 170
License fees	5 939 030	5 038 910
Marketing	130 500	25 500
Medical expenses	156 450	470
Motor vehicle expenses	61 320 766	33 903 909
Operating cost of equipment	15 022 073	11 829 513
Pest control	240 719	40 552
Printing and stationery	2 706 756	2 414 032
Subscriptions and membership fees	8 662 085	9 369 748
Subsistence and travel	4 561 965	3 158 366
Sundry expenses	6 468 794	3 574 219
Telephone and fax	11 283 640	13 516 470
Training	2 626 631	2 165 232
Uniforms	12 772 265	9 973 251
Expired traffic fines	9 797 847	-
Assets expensed	1 105 828	963 171
Chemicals	88 800	-
Other expenses	39 000	-
	208 156 183	**157 826 421**

37. Fair value adjustments

Investment property (Fair value model)	-	38 331 907
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	1 608	(8 217)
	1 608	**38 323 690**

38. Auditors' remuneration

Fees	7 181 583	7 196 542

Notes to the Financial Statements

Figures in Rand	2017	2016

39. Cash generated from operations

	2017	2016
Deficit	(550 278 708)	(793 381 806)
Adjustments for:		
Depreciation and amortisation	210 591 424	207 909 516
Loss on sale of assets and liabilities	-	(16 098)
Fair value adjustments	(1 608)	(38 323 690)
Impairment deficit	-	255 832
Debt impairment	350 487 460	642 251 730
Movements in retirement benefit assets and liabilities	23 436 725	17 499 056
Movements in provisions	1 029 424	(2 339 282)
Actuarial gain / (loss)	(6 265 561)	20 628 827
Donations received	(209 300 121)	(40 887 463)
Interest received - receivables	(152 128 771)	(123 872 104)
Finance cost - Employee benefit obligation	37 877 201	30 912 050
Finance cost - Trade and other payables	186 393 885	90 886 741
Changes in working capital:		
Inventories	2 327 965	359 017
Other receivables	4 464 771	(5 604 155)
Consumer debtors	(220 153 694)	(333 132 508)
Other receivables from non-exchange transactions	(4 945 256)	(19 626 538)
Payables from exchange transactions	750 890 895	490 744 666
VAT	(268 590 401)	(44 124 955)
Unspent conditional grants and receipts	(1 004 295)	(5 020 190)
Consumer deposits	2 070 291	957 468
	156 901 626	**96 076 114**

40. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At cost	Total
Other receivables	-	22 594 263	22 594 263
Receivables from non exchange transactions	-	123 606 074	123 606 074
Receivables from exchange transactions	-	628 351 286	628 351 286
Cash and cash equivelents	-	2 768 694	2 768 694
Other financial assets	332 598	-	332 598
Receivables from non-exchange transactions (non current)	-	27 871	27 871
Receivables from exchange transactions (non current)	-	276 196	276 196
	332 598	**777 624 384**	**777 956 982**

Financial liabilities

	At cost	Total
Payables from exchange transactions	3 753 085 015	3 753 085 015
Consumer deposits	38 320 875	38 320 875
Bank overdraft	7 644 182	7 644 182
	3 799 050 072	**3 799 050 072**

2016

Financial assets

Notes to the Financial Statements

Figures in Rand	2017	2016

. Financial instruments disclosure (continued)

	At fair value	At cost	Total
Other receivables	-	27 059 034	27 059 034
Receivables from non-exchange transactions	-	131 261 067	131 261 067
Receivables from exchange transactions	-	589 688 720	589 688 720
Cash and cash equivelents	-	11 520 330	11 520 330
Other financial assets	330 990	-	330 990
Receivables from non-exchange transactions (non current)	-	511 134	511 134
Receivables from exchange transactions (non current)	-	4 060 246	4 060 246
	330 990	**764 100 531**	**764 431 521**

Financial liabilities

	At cost	Total
Payables from exchange transactions	2 815 800 231	2 815 800 231
Consumer deposits	36 250 584	36 250 584
Unspend conditional grant and receipts	1 004 295	1 004 295
Cash and cash equivelents (Bank overdraft)	2 603 485	2 603 485
	2 855 658 595	**2 855 658 595**

41. Commitments

Authorised capital expenditure

	2017	2016
Already contracted for but not provided for		
• Property, plant and equipment	77 144 143	119 311 853
• Prior period error	-	3 455 511
	77 144 143	**122 767 364**

	2017	2016
Total capital commitments		
Already contracted for but not provided for	77 144 143	122 767 364

This committed expenditure relates to infrastructure projects and will be financed by available bank facilities, funds internally generated and grants received. The comparative figure was restated during the current financial year.

Operating leases - as lessee (expense)

	2017	2016
Minimum lease payments due		
- within one year	1 236 257	1 150 329
- in second to fifth year inclusive	2 197 571	3 433 828
	3 433 828	**4 584 157**

The municipality has operating lease agreements for the following classes of assets:
- Buildings

Leases are negotiated for an average term of three years and rentals change contractually..

Notes to the Financial Statements

Figures in Rand	2017	2016

42. Contingencies

Contingent liabilities

Several claims are in the process against the municipality (a register containing all the detail is available at the municipal offices), the nature, amount and case number of the different litigations are as follows:

Nature of litigation	Possible rand value of claim - 2017	Possible rand value of claim - 2016	Number of litigations - 2017	Number of litigations - 2016
Civil litigation	42 411 478	52 016 081	14	28
Claims for services rendered	3 482 813	397 813	4	6
Conveyancing	-	80 000	1	3
Demolition order	-	-	-	4
Eviction notice	60 000	60 000	6	5
High Court application	-	-	-	1
Interdict application	-	-	2	2
Investigation	-	-	-	1
Labour related matter	5 892 934	2 597 279	11	8
Legal opinion	-	-	3	2
Motion proceedings	162 689	-	2	1
Public liability claim	849 134	487 444	5	4
	52 859 048	**55 638 617**	**48**	**65**

Prior period error:

The comparative figures for contingent liabilities were restated due to duplicates on the contingent liability register used for the 30 June 2016 financial statements.

Contingent assets

Several claims are in the process on behalf of the municipality (a register containing all the detail is available at the municipal offices), the nature, amount and case number of the different litigations are as follows:

Nature of litigation	Possible rand value of claim - 2017	Possible rand value of claim - 2016	Number of litigations - 2017	Number of litigations - 2016
Civil litigation	314 782	91 619	1	1
High Court application	-	-	-	1
Labour related matter	298 414	26 666	2	5
Legal opinion	10 343 637	-	1	2
	10 956 833	**118 285**	**4**	**9**

Prior period error:

The comparative figures for contingent assets were restated due to duplicates on the contingent asset register used for the 30 June 2016 financial statements.

Figures in Rand	2017	2016

43. Related parties

Relationships

Members of key management	Refer to note 29
Members of Council	Refer to note 30

Related party balances

No related party balances were identified for the current and prior reporting period.

Related party transactions

	2017	2016
Purchases from (sales to) related parties		
MBV Security	14 271 987	9 075 282

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

Payments made to MBV Security is for security services rendered to Matjhabeng Local Municipality. The owner of MBV Security is married to a municipal employee who holds the position of Senior Manager Treasury.

44. Prior period error and change in accounting policy

Prior year figures were restated due to prior period errors, the nature of the prior period errors were due to the following:

- VAT was restated due errors that were identified in payables and expenditure in the 2016 financial year;

- Investment property was restated due to the incorrect classification as property plant and equipment;

- Payables and contracted service were restated due to legal cases that were finalised in the current financial year for services rendered in the prior years;

- Finance cost and general expenditure were restated due to legal matters that were finalised in the current financial year;

- PPE and depreciation were restated due to recognition of newly found assets.

- Fruitless and wasteful expenditure was restated due to the restatement to payables.

- The disclosure amount on employee benefits was restated due to a typing error in the previous year.

- Commitments was restated due to the restatement of payables.

- Contingencies was restated due to duplications in the 2016 contingency register used to compile the financial statements

Bulk purchases was restated due to one sedibeng account that was not included in the 2015/2016 financial year and confirmed by the sedibeng confirmation as at 30 June 2016.

Receivables and service charges were restated due to the removal of Municipal accounts in the books of the municipality.

Debt impairment was restated due to revesal of municipl accounts that were fully impaird in the books of the municipality.

The correction of the errors, reclassifications and change in accounting policy resulted in the adjustment of the following line items of the financial statements:

Notes to the Financial Statements

Figures in Rand	2017	2016

44. Prior period error and change in accounting policy (continued)

	Original audited 2016 figures	Prior period errors	Restated 2016 figures
Statement of Financial Position			
Receivables from non-exchange transactions	123 700 990	7 560 076	131 261 066
Receivables from exchange transactions	591 257 675	(1 568 956)	589 688 719
VAT receivable	141 534 807	41 089 128	182 623 935
Investment property - Cost	730 614 229	1 672 175	732 286 404
Property, plant and equipment	4 517 976 923	9 790 834	4 527 767 757
Payables from exchange transactions	(2 692 812 194)	(122 988 042)	(2 815 800 236)
Statement of Financial Performance			
Service charges	945 308 825	(1 186 243)	944 122 582
Depreciation	(206 316 233)	(1 593 283)	(207 909 516)
Finance costs	(119 480 326)	(93 720)	(119 574 046)
Repairs and maintenance	(39 804 219)	35 754	(39 768 465)
Bulk purchases	(810 072 732)	(44 880 433)	(854 953 165)
Contracted services	(106 421 922)	(4 038 908)	(110 460 830)
General expenses	(160 763 861)	2 937 439	(157 826 422)
Debt impairment	(648 290 390)	6 038 660	(642 251 730)
Fair value adjustment	38 205 550	118 140	38 323 690
Total	2 304 637 122	(107 107 379)	2 197 529 743
Accumulated surplus	(2 976 633 196)	64 444 486	(2 912 188 710)
	-	**(42 662 893)**	-

Notes to the Financial Statements	**Original audited 2016 figures**	**Prior period errors**	**Restated 2016 figures**
Fruitless and wasteful expenditure	165 002 645	93 720	165 096 365
Employee benefits	49 642 382	6 549 026	56 191 408
Commitments	119 311 853	3 455 511	122 767 364
Contingent liabilities	75 944 280	(20 305 663)	55 638 617
Contingent assets	433 067	(551 352)	118 285
Irregular expenditure	305 669 955	3 818 622	309 488 577
	-	**(6 940 136)**	-

45. Comparative figures

Prior year figures were restated due to prior period errors and misclassifications. Refer to note 44, prior period errors.

46. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

46. Risk management (continued)

Liquidity risk

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3 753 085 015	-	-	-
Consumer deposits	38 320 875	-	-	-
Bank overdraft	7 644 182	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	2 815 800 231	-	-	-
Consumer deposits	36 250 584	-	-	-
Unspent conditional grants and receipts	1 004 295	-	-	-
Bank overdraft	2 603 485	-	-	-

Credit risk

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

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

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

Financial instrument	2017	2016
Other financial assets	332 598	330 990
Other receivables	22 594 263	27 059 034
Receivables from non-exchange transactions	-	123 700 990
Receivables from exchange transactions	628 351 286	591 257 675
Cash and cash equivalents	2 768 694	11 520 330
Receivables from non exchange transactions (non current)	27 871	511 134
Receivables from exchange transactions (non current)	276 196	4 060 246

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

47. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 2 361 909 711 and that the municipality's total assets exceed its liabilities by R 2 361 909 711.

The municipality had a defict of R 550 278 707. (2016: R 793 381 803) for the year. The current liabilities exceeds the current assets by R2 576 323 820. (2016: R1 915 613 789).

Notes to the Financial Statements

Figures in Rand	2017	2016

47. Going concern (continued)

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

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

The municipality incurred material water and electricity losses, refer to note 52 for detail.

The municipality provided for material impairments of receivables from exchange and non-exchange transactions, refer to notes 8, 9, 12 and 14.

48. Events after the reporting date

During a council meeting held 31 August 2017 council resolved to write off the following amounts in respect of Irregular expenditure and Fruitless and wasteful expenditure as follows:

Council certified an amount of R413 701 258 incurred during 2016/2017 financial year as irrecoverable and to be written off as irregular expenditure

Council certified an amount of R157 128 450 incurred during 2016/2017 financial year as irrecoverable and to be written off as Fruitless and Wasteful expenditure.

49. Unauthorised expenditure

Opening balance	977 994 508	3 959 722 706
Unauthorised expenditure	1 031 091 788	812 398 971
Less: Amounts written off by the council	(977 994 508)	(3 794 127 169)
	1 031 091 788	**977 994 508**

Unauthorised expenditure relate to the overspending of the departmental budgets. The main reason for the overspent was due to no budget for impairment of financial assets, underbudgeting of bulk purchases and depreciation.

50. Fruitless and wasteful expenditure

Opening balance	165 096 365	504 645 763
Fruitless and wasteful expenditure	186 771 314	149 978 569
Prior period error adjustment 2016 figures	-	93 720
Amounts written off by the council	(157 128 450)	(489 621 687)
	194 739 229	**165 096 365**

Detail of fruitless and wasteful expenditure		
Eskom	182 169 995	113 453 819
Other avoidable expenditure and lossess	-	4 902 271
Other creditors	243 124	1 020 469
Late contribution on pension funds	504 904	270 420
SARS VAT	2 954 548	4 531 702
Interest and penalties - Compensation commission	898 743	824 913
Material losses - avoidable water losses	-	25 068 695
	186 771 314	**150 072 289**

Fruitless and wasteful expenditure include interest and penalties charged for late payment to suppliers.

The fruitless and wasteful expenditure was investigated during the financial period by Section 32 Committee and determined to be irrecoverable and no criminal or discliplinary actions were taken.

Notes to the Financial Statements

Figures in Rand	2017	2016

50. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure amounting to R157,128,450 was certified by Council to be irrecoverable and to be written-off.

51. Irregular expenditure

Opening balance	429 171 360	939 053 077
Add: Irregular Expenditure - prior year	-	3 818 622
Irregular expenditure current year	323 171 276	305 669 955
Less: Amounts written off by council	(413 701 258)	(819 370 294)
	338 641 378	**429 171 360**

Analysis of expenditure awaiting write off per age classification

Current year	323 171 276	309 488 577
Prior years	15 470 102	119 682 783
	338 641 378	**429 171 360**

Details of irregular expenditure - 30 June 2017

	Disciplinary steps taken/criminal proceedings	
Non compliance with MFMA and SCM regulations	None	318 720 464
Non compliance with Office bears Act	None	4 450 812
		323 171 276

Irregular expenditure amounting to R425,352,739 was investigated during the financial period by Section 32 Committee in order to comply with Section 32(2) and (4)of the MFMA.

Investigations determined that no criminal or discliplinary actions were to be taken and that irregular expenditure is irrecoverable.

Irregular expenditure amounting to R413,701,258 was certified by council to be irrecoverable and to be written-off.

The Accounting Officer continues to establish controls to detect and prevent these types of expenditures and the municipality has adopted the use of centralised database from Treasury.

Detailed particulars of irregular expenditure is contained in the register maintained in terms of the requirements of MFMA Circular No.68

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	5 792 809	6 268 599
Current year subscription / fee	7 437 331	5 792 809
Amount paid - current year	(5 852 809)	(6 268 599)
	7 377 331	**5 792 809**

Being the subscription fee to the South African Local Government Association (SALGA).

Notes to the Financial Statements

Figures in Rand	2017	2016

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

Material losses

	2017	2016
Distribution losses - Electricity	74 080 387	75 434 684
Distribution losses - Water	299 865 808	205 292 597
	373 946 195	**280 727 281**

Electricity losses
An average of 13.25% (2016: 18.70%) of bulk electricity purchased during the year were loss due to distrubution losses incurred during the year.

Water losses
An average of 51.30% (2015: 50.45%) of bulk water purchased during the year were loss due to distrubution losses incurred during the year.

Audit fees

	2017	2016
Opening balance	1 527 162	3 359 918
Current year audit fees	8 187 005	8 174 985
Interest charged	81 805	167 470
Amount paid - current year	(6 957 312)	(8 355 653)
Amount paid - previous years	(1 527 163)	(1 319 558)
Audit fees paid by Treasury	-	(500 000)
	1 311 497	**1 527 162**

PAYE, UIF and SDL

	2017	2016
Opening balance	7 829 628	6 516 447
Current year payroll deductions and council contributions	104 711 329	85 579 624
Amount paid - current year	(96 046 411)	(77 749 996)
Amount paid - previous years	(7 829 628)	(6 516 447)
	8 664 918	**7 829 628**

Pension and Medical Aid Deductions

	2017	2016
Opening balance	12 410 258	11 280 871
Current year payroll deductions and council contributions	154 224 320	138 128 272
Amount paid - current year	(140 982 372)	(125 718 014)
Amount paid - previous years	(12 410 258)	(11 280 871)
	13 241 948	**12 410 258**

VAT

	2017	2016
VAT receivable	451 214 336	182 623 935

VAT output payables and VAT input receivables are shown in note 13.

Figures in Rand	2017	2016

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

Councillors' arrear consumer accounts

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

30 June 2017	Outstanding more than 90 days R
Badenhorst MJM	4 555
Chaka CP	23 747
Khothule MJ	132 490
Mafaisa MG	34 032
Mahlumba BH	11 691
Manenye AJ	58 033
Meli TS	21 555
Molelekoa PMI	6 053
Mthebere NA	22 281
Ngesi TM	194 816
Nthako TD	605
Pholo SJ	50 361
Ramatisa PT	18 038
Schlebusch CJ	9 212
Tlhone ML	23 866
Tshabangu SE	1 016
	612 351

30 June 2016	Outstanding more than 90 days R
Banyane ME	6 254
Kockera SC	174 066
Mabote TL	16 861
Madumise MM	15 357
Mangeni MG	3 337
Molelekoa PA	72
Molelekoa PMI	4 004
Nttlele KI	17 241
Phetise ME	7 218
Qwesha GL	4 823
Riete MI	8 919
Tlhone ML	19 524
Tsubane ME	57 564
Twala MJ	97 021
	432 261

Notes to the Financial Statements

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

Fraud investigations

The municipality conducted the following fraud investigation for the prior financial year:

- Case number: 527/05/2016
- Case number: 451/02/2016

As at 30 June 2017 these cases were still under investigations

Case number: 451/02/2016 - Fraud by service provider

The service provider Tiro Ya Nnete Trading and projects was given official orders no. 0001047515 and 0001047593 on the 9th and 19th November 2015 for the supply and delivery of tar for an amount of R154 080.58 respectively, however the services were never rendered to the municipality despite having received payment on the 11th of November 2015 for order no. 0001047515. After a thorough investigation it was found that the service provider forged the signature of Mr. Ewan Eloff on the invoice he submitted at Supply Chain in order to receive payment fraudulently. He later came clear with his actions admitting to the fraud he had committed. The case was reported to Mr. Bokvel Pieterse to investigate and open a criminal case where necessary. It was recommended that all orders issued to this service provider be cancelled and any fraudulent payment done to be recovered from him. The Department of Public Safety and Transport would investigate the matter and open possible criminal cases. It was also recommended that the supplier be permanently removed from the Service Providers database of Matjhabeng.

Case number: 527/05/2016 - Banking details amendments

On the 13th of May 2016 payments were made to suppliers - Circle Tooling, Free State Sun and Ricmisa Trading for a total of R787 779.91. Contrary to the normal payment process, the final payment report pulls through different banking details although the payments were captured correctly on the system (Solar). After a thorough investigation it was found that there is no audit trail on cash focus to indicate that the banking details were changed or amended on ABSA cash focus. Correct banking details also appear on the IF80 report derived from Solar. It was therefore concluded that the changes could have occurred on the Z drive. Therefore it seems the payments were directed to the incorrect payees. The IT department was contacted for investigation but no information could be obtained. This case is still under investigation with the Thabong SAPS branch.

Notes to the Financial Statements

Figures in Rand	2017	2016

53. Deviation from supply chain management regulations

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

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

30 June 2017	Exceptional case	Sole supplier	Emergency	Total
July 2016	85 932	-	2 457 349	2 543 281
August 2016	7 384	-	3 735 355	3 742 739
September 2016	10 000	-	1 949 073	1 959 073
October 2016	118 125	-	1 096 712	1 214 837
November 2016	50 000	-	1 060 665	1 110 665
December 2016	-	-	1 217 227	1 217 227
January 2017	-	-	2 721 074	2 721 074
February 2017	185 378	-	237 723	423 101
March 2017	80 289	-	3 431 585	3 511 874
April 2017	-	-	3 562 629	3 562 629
May 2017	-	-	918 620	918 620
June 2017	-	-	1 190 555	1 190 555
	537 108	**-**	**23 578 567**	**24 115 675**

30 June 2016	Exceptional case	Sole supplier	Emergency	Total
August 2015	-	58 177	-	58 177
September 2015	-	92 750	-	92 750
October 2015	-	-	483 804	483 804
November 2015	296 100	68 460	525 672	890 232
December 2015	760 565	24 840	246 639	1 032 044
January 2016	68 800	422 266	97 200	588 266
Februarie 2016	693 577	-	741 114	1 434 691
March 2016	106 965	1 181 306	1 005 123	2 293 394
April 2016	412 347	296	408 356	820 999
May 2016	746 459	507 213	631 186	1 884 858
June 2016	405 899	107 107	197 129	710 135
	3 490 712	**2 462 415**	**4 336 223**	**10 289 350**

54. Fines

	2017	2016
Revenue from non exchange transactions		
Traffic fines	5 040 953	11 207 303

55. Gain (loss) on disposal of assets and liabilities

	2017	2016
Property plant and equipment		
Gain (loss) on disposal of assets - transport assets	-	16 098

The gain realised on the disposal of transport assets was due to accident damaged vehicles replaced or written off by the insurance company.

56. Impairment loss

	2017	2016
Impairment of property, plant and equipment	-	255 832

Figures in Rand	2017	2016

57. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of more than 10% are explained below:

Note 57.1 - Less service were consumed than budgeted for.

Note 57.2 - More rental income was billed than expected at the beginning of the year.

Note 57.3 - More licenses and permit fees was received than expected.

Note 57.4 - Less other income was billed than expected, other income is dependent on other factors such as economic buying power.

Note 57.5 - More interest was received than expected on financial assets.

Note 57.6 - No fixed assets were sold during the year.

Note 57.7 - Less dividends were declared then expected at the beginning of the year.

Note 57.8 - Due to the new valuation roll the property rates income did increase.

Note 57.9 - No budget was made for donation to be received during the year.

Note 57.10 - More fines were issued than expected and the fines are recorded according to IGrap.

Note 57.11 - Depreciation was under budgeted for.

Note 57.12 - Impairment loss was under budgeted for.

Note 57.13 - More finance cost was incurred than expected.

Note 57.14 - No budget was made for debt impairment.

Note 57.15 - Repairs and maintenance was under budgeted for.

Note 57.16 - Bulk purchases was under budgeted for.

Note 57.17 - Contracted services was under budgeted for.

Note 57.18 - General expenditure was under budgeted for.

Note 57.19 - No budget was made for actuarial gains or losses.

Note 57.20 - No budget was made for the fair value adjustment of financial assets and liabilities.

Note 57.21 - Inventories were over budgeted based on the assumptions that water leaks and potholes will be repaired.

Note 57.22 - More rental was budgeted for based on the new donated building received from mining companies.

Note 57.23 - Budget made on receivable does not take in to account the effects of debt impairment in to account, and furthermore included in the budget for receivables from exchange are receivables from non exchange.

Note 57.24 - No Budget was made for VAT receivable,Heritage assets

Note 57.25 - Less budget was made available on trade and other payables and less payments were made to suppliers.

Note 57.26 - More money was budgeted that received for capital projects.

Note 57.27 - Donations and additions to Investments property made more impact that originally budged for.

Figures in Rand	2017	2016

57. Budget differences (continued)

Note 57.28 - Less was budgeted for as it was based only on one Landfill site.

Note 57.28 - Property rates are in included under service charges and the difference is due to inadequate revenue collections.

Note 57.29 - More collections on Other revenue was expected due to new donated assets for rental purposes.

Note 57.30 - Finance cost on bank was contained than expected.

Note 57.31 - There were no disposals made for 2016/2017 financial year.

Note 57.32 - Refer to note 39 for the movement in working capital.

Note 57.33 - There were no short term loans made in the current financial year.

Note 57.34 - No Budget was was made for Employee benefits obligations payments.

Note 57.35 - Cash and cash equivalents at the beginning of the year were less that expected as per Budget due to less investment reserves in the bank.

Note 57.36 - Additional accounts were opened more that anticipated.

Note 57.37 - No budget was made available for Overdraft as it was not anticipated during the budget process.