Nyandeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Nyandeni Local municipality is a South African Category 3 municipality as defined by the Municipal Structures Act No.117 of 1998.The Municipality's operations are governed by the Contitution, Municipal Finance Management Act 56 of 2003, The Municipal Structure's Act 117 of 1998, Municipal Systems Act 32 of 2000 and various legislation and regulations.
Areas of operation	The Nyandeni Local Municipality includes the following areas
	Libode
	Ngqeleni
Executive Committee	
	M.D. Ngqondwana - Mayor
	N.P. Matanda - Speaker
Executive committee members	M.R. Mtobela - Chief Whip
	Z. Mevana - Portfolio Head Budget & Treasury
	M.P. Diniso - Portfolio Head Planning, Research and IGR
	Z. Nondlevu - Portfolio Head Infrastructure Development
	W. Ngaveli - Portfolio Head Community Services & Public Safety
	T. Matika-Mncube - Portfolio Head Corporate Services
	N. Thiyeka - Portfolio Head LED & Rural Development
	M. Magxala - Mayors Office
	P. Godongwana - Portfolio Head HUman Settlement, Spatial Planning & Disaster Management
	V.B. Zondani - Portfolio Head Special Programs Unit
	N.P. Ntoza - Womens caucus
	N. Jim - Members Interest
	X.A. Dlani - Public Participation & Petition
	N. Tyopo - Municipal Public Accounts Committee
Councillors	Z. Mchithakali
	N. Nonkothama
	P.P. Sineke
	T. Zweni
	P. Matinise
	N.P. Ntshoyi
	P. Madwantsi
	L. Mziba
	N. Mchithakali
	N. Gqetywa
	M. Mkrokrelwa
	P.N Tswina
	P. Gazula
	M. Sifici
	K.S. Mohlomi
	L. Tshotsho
	M.A. Makhetha
	Z. Matomela
	S.S. Nogumla
	V. Nomqonde
	Z. Mdingi

General Information

	N. Tshotsho
	M. Langa
	C.M. Kuzo
	Z. Bodoza
	Y Sitsheke
	M.T. Mkhosana
	Z. Mantantana
	N. Nonkonyana
	A. Nkunzi
	M.K. Tshatshelo
	T. Macingwane
	T.H. Mbiko
	M. Hoya
	J. Maqubela
	M. Ntanzi
	N.L. Vanda
	F.Mbodloyi
	X. Pakade
	N.N. Devete
	C. Nazo
	M. John
	M.C. Mbangiswana
	F.E. Rhozani
	B.C. Dobha
	F. Gaxeni
	F. Vatsha
	S. Mbiyozo
	N. Mjajubana
Grading of local authority	3
Chief Finance Officer (CFO)	B.K Benxa
Accounting Officer	N Nomandela
Registered office	BN Nomandela drive Libode 5160
Postal address	Private Bag X 504 Libode 5160
Bankers	First National Bank, Mthatha Standard Bank, Mthatha
Auditors	Office of the Auditor General (Eastern Cape)
Attorneys	J.A. Le roux Attorneys A.S. Zono & Associates Sigqibo Maqambayi Attorneys N.Z Mtshabe Incorporated Tonise Attorneys

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

Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Accounting Officer
N. Nomandela

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	184,408,608	134,319,513
Receivables from exchange transactions	4	45,087	46,742
Receivables from non-exchange transactions	5	871,616	1,705,614
Inventories	6	265,696	279,551
VAT receivable	7	8,336,588	4,402,345
		193,927,595	**140,753,765**
Non-Current Assets			
Investment property	8	67,952,400	65,151,000
Property, plant and equipment	9	434,799,893	389,945,280
Intangible assets	10	779,482	202,378
		503,531,775	**455,298,658**
Total Assets		**697,459,370**	**596,052,423**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	15,119,935	14,093,227
Income received in advance	12	907,217	415,694
Retention	13	9,033,637	6,822,840
Unspent conditional grants and receipts	14	25,531,922	216,881
Finance lease obligation	15	305,073	332,975
Employee benefit obligation	16	756,018	512,834
		51,653,802	**22,394,451**
Non-Current Liabilities			
Finance lease obligation	15	438,421	234,982
Employee benefit obligation	16	4,974,004	4,246,553
Provisions	17	758,638	638,526
		6,171,063	**5,120,061**
Total Liabilities		**57,824,865**	**27,514,512**
Net Assets		**639,634,505**	**568,537,911**
Accumulated surplus		639,634,522	568,537,918

* See Note 48

Statement of Financial Performance

	Note(s)	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Sales of goods and rendering of services	18	416,286	672,004
Service charges	19	228,753	202,400
Rental of facilities and equipment	20	63,342	60,082
Agency services	21	730,743	361,620
Licences and permits	22	2,960,522	3,284,167
Recoveries	23	-	1,965,474
Operational revenue	24	1,918,235	4,839,093
Interest received - investment	25	12,519,336	8,198,053
Total revenue from exchange transactions		**18,837,217**	**19,582,893**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	5,732,132	5,725,994
Interest, dividends and Rent on Land	27	974,725	1,163,265
Transfer revenue			
Government grants & subsidies	28	328,475,156	290,556,793
Fines, Penalties and Forfeits	29	572,492	240,781
Total revenue from non-exchange transactions		**335,754,505**	**297,686,833**
Total revenue	30	**354,591,722**	**317,269,726**
Expenditure			
Employee related costs	31	(130,173,659)	(115,469,904)
Remuneration of councillors	32	(21,879,907)	(18,411,388)
Depreciation and amortisation	33	(40,945,449)	(35,084,457)
Impairment loss/ Reversal of impairments	34	(2,299,295)	(1,604,127)
Finance costs	35	(130,200)	(130,606)
Lease rentals	36	(532,985)	(256,028)
Fair value loss on short term investment		-	(2)
Contracted services	37	(38,503,830)	(27,901,495)
Transfers and Subsidies	38	(2,612,209)	(4,256,908)
Inventory consumed		(3,025,309)	(2,093,833)
General Expenses	39	(45,694,770)	(38,105,716)
Total expenditure		**(285,797,613)**	**(243,314,464)**
Operating surplus		**68,794,109**	**73,955,262**
Loss on disposal of assets and liabilities	40	(498,905)	(3,655,968)
Fair value adjustments	41	2,801,400	3,097,700
		2,302,495	**(558,268)**
Surplus for the year		**71,096,604**	**73,396,994**

* See Note 48

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	489,735,433	489,735,433
Adjustments		
Correction of errors	5,405,491	5,405,491
Balance at 01 July 2016 as restated*	**495,140,924**	**495,140,924**
Changes in net assets		
Surplus for the year	73,396,994	73,396,994
Total changes	73,396,994	73,396,994
Restated* Balance at 01 July 2017	**568,537,918**	**568,537,918**
Changes in net assets		
Surplus for the year	71,096,604	71,096,604
Total changes	71,096,604	71,096,604
Balance at 30 June 2018	**639,634,522**	**639,634,522**
Note(s)		

* See Note 48

Cash Flow Statement

	Note(s)	2018 R	2017 Restated* R
Cash flows from operating activities			
Receipts			
Taxation		4,604,206	7,623,279
Grants		353,790,197	287,939,118
Interest income		12,519,336	8,198,053
Other receipts		6,315,525	6,725,590
		377,229,264	310,486,040
Payments			
Employee costs		(152,053,566)	(129,968,795)
Suppliers		(88,528,684)	(69,844,074)
Finance costs		(130,200)	(130,606)
		(240,712,450)	(199,943,475)
Net cash flows from operating activities	43	**136,516,814**	**110,542,565**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(81,522,140)	(75,780,960)
Proceeds from sale of property, plant and equipment	9	206,722	993,706
Purchase of other intangible assets	10	(724,663)	(63,680)
Net cash flows from investing activities		**(82,040,081)**	**(74,850,934)**
Cash flows from financing activities			
Movement in income received in advance		491,523	146,834
Movement in retention		(4,703,635)	(2,956,827)
Finance lease payments		(175,537)	(508,724)
Net cash flows from financing activities		**(4,387,649)**	**(3,318,717)**
Net increase/(decrease) in cash and cash equivalents		**50,089,084**	**32,372,914**
Cash and cash equivalents at the beginning of the year		134,319,513	101,946,610
Cash and cash equivalents at the end of the year	3	**184,408,597**	**134,319,524**

* See Note 48

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	468,317	(35,866)	**432,451**	416,286	**(16,165)**	
Service charges	260,211	-	**260,211**	228,753	**(31,458)**	
Rental of facilities and equipment	125,529	(83,686)	**41,843**	63,342	**21,499**	
Agency services	400,000	-	**400,000**	730,743	**330,743**	
Licences and permits	4,000,000	11,955	**4,011,955**	2,960,522	**(1,051,433)**	
Operational Revenue	639,102	(400,000)	**239,102**	1,918,235	**1,679,133**	
Interest received - investment	5,977,552	3,011,000	**8,988,552**	12,519,336	**3,530,784**	
Total revenue from exchange transactions	**11,870,711**	**2,503,403**	**14,374,114**	**18,837,217**	**4,463,103**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,053,932	(1,598,812)	**4,455,120**	5,732,132	**1,277,012**	
Interest, dividends and Rent on Land	-	35,865	**35,865**	974,725	**938,860**	
Transfer revenue						
Government grants & subsidies	342,536,000	12,534,196	**355,070,196**	328,475,156	**(26,595,040)**	
Fines, Penalties and Forfeits	310,090	71,731	**381,821**	572,492	**190,671**	
Total revenue from non-exchange transactions	**348,900,022**	**11,042,980**	**359,943,002**	**335,754,505**	**(24,188,497)**	
Total revenue	**360,770,733**	**13,546,383**	**374,317,116**	**354,591,722**	**(19,725,394)**	
Expenditure						
Personnel	(131,882,581)	721,341	**(131,161,240)**	(130,173,659)	**987,581**	
Remuneration of councillors	(19,866,985)	(1,860,000)	**(21,726,985)**	(21,879,907)	**(152,922)**	
Depreciation and amortisation	(41,814,719)	-	**(41,814,719)**	(40,945,449)	**869,270**	
Impairment loss/ Reversal of impairments	(3,000,000)	-	**(3,000,000)**	(2,299,295)	**700,705**	
Finance costs	(117,086)	117,086	**-**	(130,200)	**(130,200)**	
Lease rentals on operating lease	(1,600,000)	-	**(1,600,000)**	(532,985)	**1,067,015**	
Bulk purchases	-	(476,000)	**(476,000)**	-	**476,000**	
Contracted Services	-	(57,522,545)	**(57,522,545)**	(38,503,830)	**19,018,715**	
Transfers and Subsidies	(5,792,074)	1,452,391	**(4,339,683)**	(2,612,209)	**1,727,474**	
Sale of goods/Inventory	(11,789,086)	1,539,772	**(10,249,314)**	(3,025,309)	**7,224,005**	
General Expenses	(98,818,144)	47,450,000	**(51,368,144)**	(45,694,770)	**5,673,374**	
Total expenditure	**(314,680,675)**	**(8,577,955)**	**(323,258,630)**	**(285,797,613)**	**37,461,017**	
Operating surplus	**46,090,058**	**4,968,428**	**51,058,486**	**68,794,109**	**17,735,623**	
Loss on disposal of assets and liabilities	-	-	**-**	(498,905)	**(498,905)**	
Fair value adjustments	-	-	**-**	2,801,400	**2,801,400**	
	-	**-**	**-**	**2,302,495**	**2,302,495**	
Surplus before taxation	**46,090,058**	**4,968,428**	**51,058,486**	**71,096,604**	**20,038,118**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**46,090,058**	**4,968,428**	**51,058,486**	**71,096,604**	**20,038,118**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	359,811	-	**359,811**	265,696	**(94,115)**	
Operating lease asset	227,164	-	**227,164**	-	**(227,164)**	
Receivables from non-exchange transactions	3,854,898	1,047,114	**4,902,012**	871,616	**(4,030,396)**	
VAT receivable	-	-	**-**	8,336,588	**8,336,588**	
Consumer debtors	1,397,875	14,719,886	**16,117,761**	45,087	**(16,072,674)**	
Cash and cash equivalents	101,946,686	-	**101,946,686**	184,408,608	**82,461,922**	
	107,786,434	**15,767,000**	**123,553,434**	**193,927,595**	**70,374,161**	
Non-Current Assets						
Investment property	61,683,100	-	**61,683,100**	67,952,400	**6,269,300**	
Property, plant and equipment	436,605,386	7,860,000	**444,465,386**	434,799,893	**(9,665,493)**	
Intangible assets	1,459,148	300,000	**1,759,148**	779,482	**(979,666)**	
	499,747,634	**8,160,000**	**507,907,634**	**503,531,775**	**(4,375,859)**	
Total Assets	**607,534,068**	**23,927,000**	**631,461,068**	**697,459,370**	**65,998,302**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	305,073	**305,073**	
Payables from exchange transactions	12,513,750	-	**12,513,750**	15,119,935	**2,606,185**	
Employee benefit obligation	-	-	**-**	756,018	**756,018**	
Unspent conditional grants and receipts	-	-	**-**	25,531,922	**25,531,922**	
Income received in advance	-	-	**-**	907,217	**907,217**	
Retention	-	-	**-**	9,033,637	**9,033,637**	
	12,513,750	**-**	**12,513,750**	**51,653,802**	**39,140,052**	
Non-Current Liabilities						
Finance lease obligation	1,600,000	-	**1,600,000**	438,421	**(1,161,579)**	
Employee benefit obligation	-	-	**-**	4,974,004	**4,974,004**	
Provisions	15,261,728	-	**15,261,728**	758,638	**(14,503,090)**	
	16,861,728	**-**	**16,861,728**	**6,171,063**	**(10,690,665)**	
Total Liabilities	**29,375,478**	**-**	**29,375,478**	**57,824,865**	**28,449,387**	
Net Assets	**578,158,590**	**23,927,000**	**602,085,590**	**639,634,505**	**37,548,915**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	578,158,590	23,927,000	**602,085,590**	639,634,505	**37,548,915**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables/other financial assets

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.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating and non-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. They are significantly affected by a number of factors, together with economic factors.

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.

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

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

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

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

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

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

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

1.4 Investment property (continued)

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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

The nature OR type of properties classified as held for strategic purposes are as follows:

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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	7 -34 years
Plant and machinery	Straight line	5-50 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	2 - 10 years
IT equipment	Straight line	2 - 10 years
Infrastructure	Straight line	2 - 100 years
Community	Straight line	5 - 30 years
Access Roads	Straight line	2 - 100 years

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Intangible assets

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software, other	5 years

Accounting Policies

1.7 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends or similar distributions and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.7 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value.

Cash and cash equivalents

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

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.8 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.

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.

1.9 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.

1.9 Inventories (continued)

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

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.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

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

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

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

1.10 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the 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.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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.

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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.

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

1.12 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.13 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.

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

1.13 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 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.

1.15 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.

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

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 .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.16 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.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.16 Revenue from non-exchange transactions (continued)

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.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

Transfers

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

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

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

1.16 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.17 Turnover

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

1.18 Investment income

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

1.19 Comparative figures

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

When the presentation or classification in financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

1.21 Fruitless and wasteful expenditure (continued)

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.

1.22 Irregular expenditure

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

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2017-07-01 to 2018-06-30.

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

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

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

1.24 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

	2018 R	2017 R

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 R	2017 R
Cash on hand	15	15
Short-term deposits	150,303,022	91,486,416
Bank balance	34,105,571	42,833,082
	184,408,608	**134,319,513**

The municipality had the following bank accounts

3. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
First National bank - Current Account no. 62152951614	28,694,285	26,872,036	24,074,464	28,636,789	27,027,852	24,125,087
Standard bank - Current Account no. 80847978	5,465,888	15,831,995	11,920,377	5,466,188	15,832,295	11,920,677
Petty Cas/Underbanking	-	-	-	2,609	(27,065)	(18,166)
Standard bank - Call Deposit - 388655305-403	342,514	329,780	316,870	342,514	329,780	316,870
Standard Bank- Call Account-388680237-001	106,446	100,118	95,185	106,446	100,118	95,185
Standard Bank-Tiered Rates 388680172-002	3,498	3,419	3,335	3,499	3,419	3,335
Standard Bank - 32 Day Call 388655305-004	1,207,134	1,131,985	1,060,435	1,207,135	1,132,002	1,060,435
Standard Bank- Revolving Fund- 388655305-002	276,440	266,162	255,743	276,440	266,162	255,743
Standard Bank - Stanlib - 54781067	-	33,815	33,175	33,815	33,815	33,175
Standard Bank-Stanlib - IP005728	-	1,445,589	1,445,589	-	1,445,589	1,445,589
Standard Bank- Stanlib- IP005439	-	3,226,826	3,226,826	-	3,226,826	3,226,826
Standard Bank- 548736855-001	861,362	825,625	789,756	861,362	825,625	789,756
First National Bank-32 Day Interest- 72399019737	17,672	17,023	16,349	17,673	17,023	16,349
First National Bank- Investment Acc- 74187331349	21,959,197	20,470,755	19,103,046	21,959,197	20,470,755	19,103,046
First National Bank- Investment Acc- 74182161238	37,257,191	35,567,614	21,261,053	37,257,191	35,567,614	21,261,053
First National Bank-Call Acc - 62159915704 MIG Call	33,271,077	13,421,945	9,508,137	33,270,987	13,421,945	9,508,137
First National Bank-Call Account-62159915853	1,538,382	1,455,268	1,387,889	1,538,383	1,455,268	1,387,889
First National Bank- Call Account no-621599121751	3,797,256	3,510,696	1,738,213	3,797,256	3,510,696	1,738,213
First national Bank-Call Acc no.62159915340- LGSETA	72,740	69,188	67,314	72,016	69,188	67,314
First National Bank-Call Acc no.62159922551- Property Valuation	178,829	169,605	163,291	178,829	169,605	163,291
First National Bank-Call Acc no. 62396357298- EPWP	1,551,911	1,444,192	512,433	1,551,911	1,444,192	512,433
First National Bank-Call Acc no-62396356539- INEG	6,666,194	5,983,390	3,059,490	6,666,194	5,983,390	3,059,490
First National Bank-Call Acc no-62582905710	2,094,984	1,978,670	1,874,883	2,095,038	1,978,670	1,874,883
First National Bank-Call Acc no. 74634166463	36,842	34,749	-	36,596	34,749	-

Notes to the Annual Financial Statements

	2018 R	2017 R

3. Cash and cash equivalents (continued)

Standard bank - money market call acc no. 388680237-002	5,340,810	-	-	5,340,810	-	-
Ned bank fixed deposit - 03/7881143126	26,706,852	-	-	26,706,852	-	-
Ned bank notice deposit - 03/7881138173	6,438,979	-	-	6,438,979	-	-
Ned bank notice deposit - 03/7881138254	543,894	-	-	543,894	-	-
Total	**184,430,377**	**134,190,445**	**101,913,853**	**184,408,603**	**134,319,513**	**101,946,610**

4. Receivables from exchange transactions

	2018 R	2017 R
Gross balances		
Refuse	624,177	471,296
Other (specify)	1,968	8,883
	626,145	**480,179**
Less: Allowance for impairment		
Refuse	(579,096)	(424,554)
Other (specify)	(1,962)	(8,883)
	(581,058)	**(433,437)**
Net balance		
Refuse	45,081	46,742
Other (specify)	6	-
	45,087	**46,742**
Refuse		
Current (0 -30 days)	20,520	35,201
31 - 60 days	16,000	16,349
61 - 90 days	15,049	15,722
91 - 120 days	14,775	15,532
121 - 365 days	485,410	73,870
> 365 days	-	280,188
Interest	72,423	34,434
	624,177	**471,296**
Other (specify)		
> 365 days	770	7,670
Interest	1,198	1,213
	1,968	**8,883**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(433,437)	(11,201,849)
Contributions to allowance	(147,621)	1,965,474
Debt impairment written off against allowance	-	58,287
Reversal of allowance	-	8,744,651
	(581,058)	**(433,437)**

Notes to the Annual Financial Statements

	2018 R	2017 R

5. Receivables from non-exchange transactions

	2018 R	2017 R
Gross balance		
Fines	551,397	222,756
Rates	11,376,777	10,400,460
	11,928,174	**10,623,216**
Less: Allowance for impairment		
Fines	(280,115)	(172,951)
Rates	(10,776,443)	(8,744,651)
	(11,056,558)	**(8,917,602)**
Net balance		
Fines	271,282	49,805
Consumer debtors - Rates	600,334	1,655,809
	871,616	**1,705,614**
Rates		
Current (0 -30 days)	55,692	265,504
31 - 60 days	118,563	130,164
61 - 90 days	253,623	119,575
91 - 120 days	117,524	115,659
121 - 365 days	9,244,448	8,577,168
Interest	1,586,927	1,192,390
	11,376,777	**10,400,460**

6. Inventories

	2018 R	2017 R
Stores, materials and fuels	265,696	279,551

In the Current financial year inventories to the value of R13 855 was written down to net realisable value. This is due to the nature of the municipality's inventory which is stationery items.

7. VAT receivable

	2018 R	2017 R
VAT	8,336,588	4,402,345

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	67,952,400	-	67,952,400	65,151,000	-	65,151,000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	65,151,000	2,801,400	67,952,400

	2018 R	2017 R

8. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	62,053,300	3,097,700	65,151,000

Details of 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.

Details of valuation

The effective date of the revaluations was 30 June 2018. Revaluations were performed by an independent valuer, Mrs P.J Lindstrom Registered Property Valuer, of Penny Lindstrom valuations. The valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

All properties registered in the name of the municipality were valued and categorised. After careful consideration, the valuer decided to increase the value of the investment properties by 5% as property values has not risen much in any of the smaller former transkei town during the specified period. Suitable values were placed on each property based on the methodology identified for each category. FAir value was established for investment properties.

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	34,144,672	(5,723,829)	28,420,843	29,611,566	(4,827,835)	24,783,731
Plant and machinery	11,751,145	(4,757,712)	6,993,433	11,403,807	(3,873,152)	7,530,655
Motor vehicles	17,618,188	(6,457,780)	11,160,408	15,714,102	(4,521,492)	11,192,610
Office equipment	5,002,210	(2,132,879)	2,869,331	4,581,307	(1,654,355)	2,926,952
IT equipment	5,768,601	(2,603,641)	3,164,960	5,320,233	(1,642,363)	3,677,870
Infrastructure	505,947,248	(200,650,288)	305,296,960	449,853,483	(180,456,058)	269,397,425
Community	21,438,020	(3,828,227)	17,609,793	12,754,994	(2,322,177)	10,432,817
Finance lease assets	3,686,424	(2,844,172)	842,252	3,087,117	(2,450,581)	636,536
Capital working progress	58,441,913	-	58,441,913	59,366,684	-	59,366,684
Total	**663,798,421**	**(228,998,528)**	**434,799,893**	**591,693,293**	**(201,748,013)**	**389,945,280**

	2018	2017
	R	R

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	24,783,731	4,533,107	-	-	(895,995)	28,420,843
Plant and machinery	7,530,655	347,339	-	-	(884,561)	6,993,433
Motor vehicles	11,192,610	1,904,087	-	-	(1,936,289)	11,160,408
Office equipment	2,926,952	420,904	-	-	(478,525)	2,869,331
IT equipment	3,677,870	370,034	(51,818)	-	(831,126)	3,164,960
Infrastructure	269,397,425	70,425,098	(653,809)	-	(33,871,754)	305,296,960
Community	10,432,817	8,683,027	-	-	(1,506,051)	17,609,793
Finance lease assets	636,536	599,306	-	-	(393,590)	842,252
Capital working progress	59,366,684	-	-	(924,771)	-	58,441,913
	389,945,280	**87,282,902**	**(705,627)**	**(924,771)**	**(40,797,891)**	**434,799,893**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	21,143,603	4,521,195	-	-	(881,067)	24,783,731
Plant and machinery	7,688,232	824,371	(121,355)	-	(860,593)	7,530,655
Motor vehicles	11,032,148	2,491,134	(659,461)	-	(1,671,211)	11,192,610
Office equipment	3,264,378	178,369	(1,566)	-	(514,229)	2,926,952
IT equipment	2,645,038	540,167	(49,362)	-	542,027	3,677,870
Infrastructure	244,028,188	56,531,721	(2,817,930)	-	(28,344,554)	269,397,425
Community	11,178,826	258,789	-	-	(1,004,798)	10,432,817
Finance lease assets	1,081,382	-	-	-	(444,846)	636,536
Capital working progress	45,133,171	-	-	14,233,513	-	59,366,684
	347,194,966	**65,345,746**	**(3,649,674)**	**14,233,513**	**(33,179,271)**	**389,945,280**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	57,028,287	2,338,398	59,366,685
Additions/capital expenditure	44,800,352	2,492,736	47,293,088
Other movements [specify]	4,494,488	-	4,494,488
Transferred to completed items	(50,373,950)	(2,338,398)	(52,712,348)
	55,949,177	**2,492,736**	**58,441,913**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Buildings	Total
Opening balance	45,133,171	-	45,133,171
Additions/capital expenditure	36,812,932	2,297,643	39,110,575
Retentions	3,842,343	40,755	3,883,098
Transferred to completed items	(28,760,160)	-	(28,760,160)
	57,028,286	**2,338,398**	**59,366,684**

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.

	2018 R	2017 R

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,332,219	(2,552,737)	779,482	2,607,556	(2,405,178)	202,378

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	202,378	724,663	(147,559)	779,482

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	659,148	63,680	(520,450)	202,378

11. Payables from exchange transactions

	2018	2017
Trade payables	1,500	2,701,124
Overtime payable	760,400	559,994
Sundry supplies	25,796	25,796
Accrued leave pay	9,687,775	8,537,571
Accrued bonus	2,805,535	2,223,180
Creditors Accrual	1,838,929	45,562
	15,119,935	**14,093,227**

12. Income received in advance

	2018	2017
Income received in advance	907,217	415,694

13. Retention

Amounts withheld as surety on construction projects completed by awarded contractors. These amounts are recognised on payment certificates on stages of completion that have been paid to the contractors.The release of retentions is normally done 3 - 12 months after the project is certified as complete.

Carrying amount of retention	2018	2017
Opening balance	6,822,840	5,209,269
Increase/(decrease) in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed	2,210,797	1,613,571
	9,033,637	**6,822,840**

Notes to the Annual Financial Statements

	2018 R	2017 R

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018 R	2017 R
Unspent conditional grants and receipts		
Unspent grant DEDEAT	110,733	-
Ngqeleni Transfer Station	-	216,881
Municipal Infrastructure Grant	25,421,189	-
	25,531,922	**216,881**

Movement during the year

	2018 R	2017 R
Balance at the beginning of the year	216,881	2,617,675
Additions during the year	128,142,197	77,086,793
Income recognition during the year	(102,827,156)	(79,487,587)
	25,531,922	**216,881**

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited; and the municipality complied with conditions attached to all grants received to the extent of revenue recognised.

15. Finance lease obligation

	2018 R	2017 R
Minimum lease payments due		
- within one year	419,657	395,439
- in second to fifth year inclusive	500,035	276,637
	919,692	672,076
less: future finance charges	(176,198)	(104,118)
Present value of minimum lease payments	**743,494**	**567,958**
Present value of minimum lease payments due		
- within one year	305,072	332,975
- in second to fifth year inclusive	438,422	234,982
	743,494	**567,957**
Non-current liabilities	438,421	234,982
Current liabilities	305,073	332,975
	743,494	**567,957**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3.8 years and the average effective borrowing rate was 4.2% for 2018 (2017: 6.5).

16. Employee benefit obligations

Defined benefit plan

Post retirement gratuity plan

The obligation is valued annually by the independent qualified actuaries.

	2018 R	2017 R

16. Employee benefit obligations (continued)

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

	2018 R	2017 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(5,730,022)	(4,759,387)
Non-current liabilities	(4,974,004)	(4,246,553)
Current liabilities	(756,018)	(512,834)
	(5,730,022)	**(4,759,387)**

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

	2018 R	2017 R
Opening balance	4,532,133	4,198,335
Net expense recognised in the statement of financial performance	970,633	333,798
	5,502,766	**4,532,133**

Net expense recognised in the statement of financial performance

	2018 R	2017 R
Current service cost	747,138	740,551
Interest cost	381,299	345,932
Actuarial (gains) losses	(157,804)	(752,685)
	970,633	**333,798**

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	8.49 %	8.46 %

17. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	638,526	120,112	758,638

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	571,445	67,081	638,526

Environmental rehabilitation provision

The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The rehabilitation costs determined are an estimate of the costs that will be incurred in order to meet the operational requirements of the site.

Notes to the Annual Financial Statements

	2018 R	2017 R

18. Sales of goods and rendering of services

Advertisements	40,751	118,126
Tender Documents	346,818	548,762
Building plan approval	2,800	-
Rezoning fees	13,200	-
Clearance Certificate	1,130	-
Cemetery and burial	9,207	5,116
Entrance fees	2,380	-
	416,286	**672,004**

19. Service charges

Refuse removal	228,753	202,400

20. Rental of facilities and equipment

Premises		
Premises	63,342	60,082

21. Agency services

Vehicle Registration	730,743	361,620

22. Licences and permits (exchange)

D.L.T.C.	2,870,738	3,284,167
Trading	89,784	-
	2,960,522	**3,284,167**

23. Recoveries

Debt impairment recovered	-	1,965,474

24. Operational revenue

Sales Wood	-	209
LGSETA	220,838	543,878
Sundry income	1,950	1,751,375
Insurance Claims	-	39,046
Auction Sales	-	1,040,602
Vending & Hawking fees	-	101,104
Sale of sites	-	1,184,420
Commission	1,695,447	178,459
	1,918,235	**4,839,093**

25. Investment revenue

Interest revenue		
Short Term Investments and Call Accounts	12,519,336	8,198,053

Notes to the Annual Financial Statements

	2018 R	2017 R

26. Property rates

Rates received

	2018 R	2017 R
Property rates	6,656,381	7,632,180
Less: Income forgone	(924,249)	(1,906,186)
	5,732,132	**5,725,994**

Valuations

	2018 R	2017 R
Residential	119,821,600	112,290,000
Commercial	96,050,000	81,630,000
State	398,356,000	357,300,000
Municipal	1,343,000	13,415,000
Church	17,645,000	15,245,000
Other	-	20,025,000
Less: Income forgone	(24,525,000)	(22,885,000)
	608,690,600	**577,020,000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2018.

27. Interest, dividends and Rent on Land

	2018 R	2017 R
Interest - Receivables	974,725	1,163,265

Notes to the Annual Financial Statements

	2018 R	2017 R

28. Government grants and subsidies

	2018 R	2017 R
Operating grants		
Equitable share	223,248,000	213,070,000
INEP	15,000,000	11,250,000
EPWP	1,291,000	1,261,000
Finance Management Grant	1,700,000	1,625,000
Library subsidies	400,000	400,000
Department of environmental affairs	5,973,267	-
Ngqeleni Transfer Station	216,881	1,900,793
COGTA Grant	-	1,000,000
EPWP Side Walks	2,000,000	2,000,000
	249,829,148	**232,506,793**
Capital grants		
Municipal Infrastructure Grant	45,472,811	58,050,000
Small town revitalisation	33,173,197	-
	78,646,008	**58,050,000**
	328,475,156	**290,556,793**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2018 R	2017 R
Conditional grants received	105,227,156	74,086,793
Unconditional grants received	223,248,000	216,470,000
	328,475,156	**290,556,793**

Equitable Share

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

	2018 R	2017 R
Equitable share		
Current year receipts	223,248,000	213,070,000
Conditions met - transfered to revenue	(223,248,000)	(213,070,000)
	-	**-**

Intergrated National Electrification Programme

	2018 R	2017 R
Current-year receipts	15,000,000	11,250,000
Conditions met - transferred to revenue	(15,000,000)	(11,250,000)
	-	**-**

Conditions have been met

INEP Grant was used for electrical connections in previously disadvantaged areas.

Lantana Camara

	2018 R	2017 R
Current-year receipts	6,084,000	-
Conditions met - transferred to revenue	(5,973,267)	-
	110,733	**-**

Conditions have been met

	2018 R	2017 R

28. Government grants and subsidies (continued)

Grant was received from the department of Environmnetal Affairs

Small Towns Revitalisation

Current-year receipts	33,173,197	-
Conditions met - transferred to revenue	(33,173,197)	-
	-	-

Grant was received from Office of the Premier to advance small revitalisation programmes and the conditions of the grant were met.

Expanded public works programme

Current-year receipts	1,291,000	1,261,000
Conditions met - transferred to revenue	(1,291,000)	(1,261,000)
	-	-

Conditions have been met

This grant was fully spent on employing casual workers within community based projects, especially within Infrastructure
Department.

Finance management grant

Current-year receipts	1,700,000	1,625,000
Conditions met - transferred to revenue	(1,700,000)	(1,625,000)
	-	-

Conditions have been met.

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Library subsidy

Current-year receipts	400,000	400,000
Conditions met - transferred to revenue	(400,000)	(400,000)
	-	-

Conditions have been met

This grant was fully expensed in development of the Libraries within the municipality

DEDEAT

Balance unspent at beginning of year	216,881	1,617,675
Current-year receipts	-	500,000
Conditions met - transferred to revenue	(216,881)	(1,900,794)
	-	**216,881**

Notes to the Annual Financial Statements

	2018 R	2017 R

28. Government grants and subsidies (continued)

Conditions have been met.

The grant was received from DEDEAT for establishment of a transfer station.

Municipal Infrastructure Grant

Current-year receipts	70,894,000	58,050,000
Conditions met - transferred to revenue	(45,472,811)	(58,050,000)
	25,421,189	**-**

Conditions have been met.

MIG Grant was used to accelerate provision of basic service delivery through construction of capital projects.

EPWP Sidewalks

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

Grant was received to assist with the pedestrian sidewalks

29. Fines, Penalties and Forfeits

Law Enforcement Fines	466,700	195,901
Pound Fees Fines	105,792	44,880
	572,492	**240,781**

30. Revenue

Sale of goods	416,286	672,004
Service charges	228,753	202,400
Rental of facilities and equipment	63,342	60,082
Agency services	730,743	361,620
Licences and permits	2,960,522	3,284,167
Recoveries	-	1,965,474
Operational Revenue	1,918,235	4,839,093
Interest received - investment	12,519,336	8,198,053
Property rates	5,732,132	5,725,994
Interest, dividends and Rent on Land	974,725	1,163,265
Government grants & subsidies	328,475,156	290,556,793
Fines, Penalties and Forfeits	572,492	240,781
	354,591,722	**317,269,726**

	2018 R	2017 R

30. Revenue (continued)

	2018 R	2017 R
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	416,286	672,004
Service charges	228,753	202,400
Rental of facilities and equipment	63,342	60,082
Agency services	730,743	361,620
Licences and permits	2,960,522	3,284,167
Recoveries	-	1,965,474
Operational Revenue	1,918,235	4,839,093
Interest received - investment	12,519,336	8,198,053
	18,837,217	**19,582,893**

	2018 R	2017 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5,732,132	5,725,994
Interest, dividends and Rent on Land	974,725	1,163,265
Transfer revenue		
Government grants & subsidies	328,475,156	290,556,793
Fines, Penalties and Forfeits	572,492	240,781
	335,754,505	**297,686,833**

	2018 R	2017 R

31. Employee related costs

Basic	79,483,171	68,278,659
Bonus	5,684,031	5,698,085
Medical aid - company contributions	6,899,319	6,209,529
UIF	558,494	549,017
SDL	1,198,247	1,079,289
Bargaining Council Levies	29,321	26,850
Leave pay provision charge	867,340	1,599,026
Defined contribution plans	970,633	333,798
Travel, motor car, accommodation, subsistence and other allowances	8,520,916	8,583,441
Overtime payments	8,300,788	7,000,500
Long-service awards	239,241	-
Acting allowances	95,288	105,727
Housing benefits and allowances	3,629,264	5,954,434
Pension/Provident Fund	11,136,940	10,051,549
Group Scheme	2,560,666	-
	130,173,659	**115,469,904**

Renumeration of municipal manager - N Nomandela

Annual Remuneration	1,344,567	1,167,667
Car Allowance	177,634	200,813
Contribution to UIF, Medical and Pension Funds	27,617	1,813
	1,549,818	**1,370,293**

Renumeration of CFO - BK Benxa

Annual Remuneration	1,130,075	968,364
Car Allowance	160,516	165,866
Contribution to UIF, Medical and Pension Funds	25,887	1,813
	1,316,478	**1,136,043**

Renumeration of Planning & Development Manager - G Cekwana

Annual Remuneration	951,093	856,040
Car Allowance	263,938	276,443
Contribution to UIF, Medical and Pension Funds	20,420	1,813
	1,235,451	**1,134,296**

Renumeration of Corporate Services Manager - S Mvunelo

Annual Remuneration	898,105	849,728
Car Allowance	155,481	148,186
Contribution to UIF, Medical and Pension Funds	25,485	1,813
	1,079,071	**999,727**

Renumeration of Technical Services - QFQ Madikida

Annual Remuneration	821,752	750,773
Car Allowance	259,135	246,976
Contribution to UIF, Medical and Pension Funds	18,747	1,813
	1,099,634	**999,562**

	2018 R	2017 R

31. Employee related costs (continued)

Renumeration of Community Services Manager - GM Zide

Annual Remuneration	832,329	857,273
Car Allowance	218,238	276,443
Contribution to UIF, Medical and Pension Funds	15,662	1,813
	1,066,229	**1,135,529**

Renumeration of Strategic Planning Manager - L Madzidzela

Annual Remuneration	892,243	813,572
Car Allowance	267,785	276,443
Contribution to UIF, Medical and Pension Funds	20,504	1,813
	1,180,532	**1,091,828**

32. Remuneration of councillors

Mayor	795,913	758,013
Chief Whip	596,950	568,510
Full time executive committee members	3,789,899	2,257,362
Speaker	636,731	606,410
Part time councillors allowance	13,779,529	12,336,085
Part time executive committee members	2,280,885	1,885,008
	21,879,907	**18,411,388**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker have use of a Council owned vehicle for official duties.

33. Depreciation and amortisation

Property, plant and equipment	40,797,890	34,564,007
Intangible assets	147,559	520,450
	40,945,449	**35,084,457**

34. Impairment of assets

Impairments		
Trade and other receivables	2,299,295	1,604,127

35. Finance costs

Trade and other payables	130,200	14,261
Finance leases	-	116,345
	130,200	**130,606**

36. Lease rentals

Equipment		
Contractual amounts	532,985	256,028

	2018 R	2017 R

Finance leases relate to photocopying machines leased from Nashua and Xerox and the average lease period is 5 years.

37. Contracted services

	2018 R	2017 R
Outsourced Services		
Business and Advisory	5,705,127	-
Catering Services	3,145,011	3,973,372
Clearing and Grass Cutting Services	3,750	-
Hygiene Services	43,500	-
Personnel and Labour	1,082,169	-
Professional Staff	41,821	102,503
Security Services	31,187	-
Translators, Scribes and Editors	252,712	-
Transport Services	389,115	1,127,758
Drivers Licence Cards	362,162	193,985
Consultants and Professional Services		
Business and Advisory	7,984,000	6,810,156
Infrastructure and Planning	13,735,247	10,361,084
Legal Cost	2,055,479	456,270
Contractors		
Employee Wellness	10,000	93,700
Maintenance of Buildings and Facilities	1,078,434	78,869
Maintenance of Equipment	941,313	4,586,758
Maintenance of Unspecified Assets	605,281	18,801
Plants, Flowers and Other Decorations	152,550	-
Tracing Agents and Debt Collectors	787,406	-
Sports and Recreation	53,896	-
Stage and Sound Crew	43,670	98,239
	38,503,830	**27,901,495**

38. Grants and subsidies paid

	2018 R	2017 R
Other subsidies		
Domestic indigent	676,776	1,271,452
Social Relief	133,132	708,242
Rural development	1,802,301	2,277,214
	2,612,209	**4,256,908**

Notes to the Annual Financial Statements

	2018 R	2017 R

39. General expenses

Advertising, Publicity and Marketing	2,096,046	830,216
External Audit Fees	3,964,815	3,358,576
Bank charges	115,765	69,470
Hire	5,281,554	1,707,457
Insurance	574,274	753,023
IT expenses	513,525	539,923
Remuneration to ward committee	4,484,301	2,900,460
Traditional leaders allowances	662,500	-
Storage of Files Archiving	16,237	-
Learnerships and Internships	65,137	-
Motor vehicle expenses	217,605	-
Signage	8,772	-
Fuel and oil	4,337,511	4,616,133
Printing and stationery	508,823	736,758
Bargaining council	1,240,010	-
Royalties and license fees	128,465	343,106
Bursary	-	1,403,740
Registration Fees	226,595	183,457
Subscriptions and membership fees	131,657	1,542,121
Subsitence & Travelling	11,274,544	11,407,880
Workmen's compensation fund	671,091	-
Electricity	489,238	574,798
Uniform and protective clothing	1,303,407	544,199
Special Programmes	11,300	-
Communication	7,371,598	6,590,499
Small differences tolerances	-	3,900
	45,694,770	**38,105,716**

Notes to the Annual Financial Statements

	2018 R	2017 R

40. Loss on disposal of assets and liabilities

	2018 R	2017 R
Loss on disposal of assets and liabilities	498,905	3,655,968

41. Fair value adjustments

	2018 R	2017 R
Investment property (Fair value model)	2,801,400	3,097,700

42. Auditors' remuneration

	2018 R	2017 R
Fees	3,964,815	3,358,576

43. Cash generated from operations

	2018 R	2017 R
Surplus	71,096,604	73,396,994
Adjustments for:		
Depreciation and amortisation	40,945,449	35,084,457
Loss on sale of assets and liabilities	498,905	3,655,968
Fair value adjustments	(2,801,400)	(3,097,700)
Finance costs - Finance leases	130,200	130,606
Impairment loss (reversal)	2,299,295	(361,346)
Retirement benefit assets and liabilities	970,635	333,798
Movements in provisions	120,112	67,081
Changes in working capital:		
Inventories	13,855	80,260
Other receivables	-	227,164
Consumer debtors	1,655	(19,753)
Other receivables from non-exchange transactions	833,998	(313,129)
Payables from exchange transactions	1,026,708	3,021,319
VAT	(3,934,243)	737,640
Unspent conditional grants and receipts	25,315,041	(2,400,794)
	136,516,814	**110,542,565**

44. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	45,087	45,087
Other receivables from non-exchange transactions	-	871,616	871,616
Cash and cash equivalents	184,408,608	-	184,408,608
VAT receivable	-	8,336,587	8,336,587
	184,408,608	**9,253,290**	**193,661,898**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	15,165,487	15,165,487
Finance lease liability	743,494	743,494

	2018 R	2017 R

44. Financial instruments disclosure (continued)

Unspent conditional grant	25,531,922	25,531,922
Retentions	9,033,637	9,033,637
	50,474,540	**50,474,540**

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	46,742	46,742
Other receivables from non-exchange transactions	-	1,705,614	1,705,614
Cash and cash equivalents	134,319,513	-	134,319,513
VAT receivable	-	4,402,345	4,402,345
	134,319,513	**6,154,701**	**140,474,214**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	14,093,222	14,093,222
Finance lease obligation	567,957	567,957
Unspent conditional grant	216,881	216,881
Retentions	6,822,840	6,822,840
	21,700,900	**21,700,900**

45. Repairs and maintenance

Repairs and maintenance	8,285,990	4,571,579

Repairs and maintenance relates to maintenance of municipal assets and hiring of plant and machinery for maintenance of access roads. In the current financial year the municipality has hired plant and machinery for the maintenance of access roads.

	2018 R	2017 R

46. Contingencies

Contingent liabilities

	2018 R	2017 R
Mabandla Vs Nyandeni Municipality	100,000	-
BHS Building contractors Vs Nyandeni Municipality	-	2,846,672
Zukiswa Skenjana Vs NYandeni Municipality	-	600,000
Maqhawe construction Vs Nyandeni municipality	1,938,570	1,938,570
Nwabisa Ndamase Vs Nyandeni municipality	-	2,500,000
Tamsanqa Dotyeni Vs Nyandeni Municipality	1,000,000	-
Selina Matanda Vs Nyandeni municipality	1,000,000	-
	4,038,570	**7,885,242**

The following is the list of possible outcomest

1. Maqhawe Construction VS Nyandeni Local Municipality (Case No. 249/2014)

The municipality is being sued for a sum of R1 938 570 (One million Nine Hundred and Thirty Eight Thousand Five Hundred and Seventy Rands) by the contractor who claims that it is money owed by the municipality as standing time. This is the time when his plant was on site while doing nothing and they claim that this is due to the fault of the municipality. The municipality is defending the matter as the contractor did not even finish the work that was contracted to do.

2. Tamsanqa Dotyeni vs NLM case no. 2070/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter has become dormant and should be removed from the contingent register.

3. Selina Nontembeko Matanda vs NLM case no. 2071/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter has become dormant and should be removed from the contingent register.

4. MABANDLA vs NYANDENI MUNICIPALITY

The municipality is being sued for a sum of R100 000 by the abovementioned person as a result of a labour dispute.

Contingent assets

Nyandeni Local Municipality vs Municipal Councillors Pension fund

The municipality has lodged legal proceedings against the pension fund to release the municipal councillors pension monies that is worth R3 396 486

	2018 R	2017 R
Nyandeni Municipality Vs MCPF	3,396,486	-

47. Related parties

Related party transactions

The municipality did not have any related party transaction except for the remuneration of councillors and the remuneration of senior managers which is diclosed in note 33 and 34 respectively.

Notes to the Annual Financial Statements

48. Reclassification

The prior year has been amended to account for reclassification as a result of implementation of Municipal Standard Charts of Accounts (mSCOA). The prior period amounts are reclassified to achieve fair presentation of financial statements.

Below is a summary of the total effect that the reclassifications had on the amount previously disclosed in the annual financial statements

Statement of Financial Position

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Assets					
Current Assets					
Cash and cash equivalents		134,319,513	-	-	134,319,513
Receivables from exchange transactions		49,805	-	(3,063)	46,742
Receivables from non-exchange transactions		1,702,551	-	3,063	1,705,614
Inventories		279,551	-	-	279,551
VAT receivable		4,402,345	-	-	4,402,345
		140,753,765	**-**	**-**	**140,753,765**
Non-Current Assets					
Investment property		65,151,000	-	-	65,151,000
Property, plant and equipment		384,539,788	5,405,491	1	389,945,280
Intangible assets		202,378	-	-	202,378
		449,893,166	**5,405,491**	**1**	**455,298,658**
Total Assets		**590,646,931**	**5,405,491**	**1**	**596,052,423**
Liabilities					
Current Liabilities					
Payables from exchange transactions		14,093,227	-	-	14,093,227
Income received in advance		415,694	-	-	415,694
Retention		6,822,840	-	-	6,822,840
Unspent conditional grants and receipts		216,881	-	-	216,881
Finance lease obligation		332,975	-	-	332,975
Employee benefit obligation		512,834	-	-	512,834
		22,394,451	**-**	**-**	**22,394,451**
Non-Current Liabilities					
Finance lease obligation		234,982	-	-	234,982
Employee benefit obligation		4,246,553	-	-	4,246,553
Provisions		638,526	-	-	638,526
		5,120,061	**-**	**-**	**5,120,061**
Total Liabilities		**27,514,512**	**-**	**-**	**27,514,512**
Net Assets		**563,132,419**	**5,405,491**	**1**	**568,537,911**
Net Assets					
Reserves					
Revaluation reserve		5,394,300	(5,394,300)	-	-
Accumulated surplus		557,738,126	10,799,791	1	568,537,918
Total Net Assets		**563,132,426**	**5,405,491**	**1**	**568,537,918**

Notes to the Annual Financial Statements

48. Reclassification (continued)

Statement of Financial Performance

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Revenue					
Revenue from exchange transactions					
Sale of goods		-	-	672,004	672,004
Service charges		202,400	-	-	202,400
Rental of facilities and equipment		178,208	-	(118,126)	60,082
Agency services		-	-	361,620	361,620
Licences and permits		-	-	3,284,167	3,284,167
Fees earned		49,996	-	(49,996)	-
Commissions received		178,459	-	(178,459)	-
Recoveries		1,965,474	-	-	1,965,474
Other income		8,855,183	-	(4,016,090)	4,839,093
Investment revenue		8,198,053	-	-	8,198,053
Total revenue from exchange transactions		**19,627,773**	**-**	**(44,880)**	**19,582,893**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates		5,725,994	-	-	5,725,994
Interest, dividends and Rent on Land		1,163,265	-	-	1,163,265
Transfer revenue					
Government grants & subsidies		290,556,793	-	-	290,556,793
Fines, Penalties and Forfeits		195,901	-	44,880	240,781
Total revenue from non-exchange transactions		**297,641,953**	**-**	**44,880**	**297,686,833**
Total revenue		**317,269,726**	**-**	**-**	**317,269,726**
Expenditure					
Employee related costs		(113,638,116)	-	1,831,788	(115,469,904)
Remuneration of councillors		(18,411,388)	-	-	(18,411,388)
Depreciation and amortisation		(35,084,457)	-	-	(35,084,457)
Impairment loss/ Reversal of impairments		(1,604,127)	-	-	(1,604,127)
Finance costs		(130,606)	-	-	(130,606)
Collection costs		(2)	-	-	(2)
Sale of goods/Inventory		-	-	(2,093,833)	(2,093,833)
Contracted services		-	-	(27,901,495)	(27,901,495)
Transfers and subsidies		-	-	(4,256,908)	(4,256,908)
Repairs and maintenance		(4,571,579)	-	4,571,579	-
General Expenses		(69,874,193)	-	31,512,449	(38,361,744)
Total expenditure		**(243,314,468)**	**-**	**4**	**(243,314,464)**
Operating surplus		**73,955,258**	**-**	**4**	**73,955,262**
Gain on disposal of assets and liabilities		(3,655,968)	-	-	(3,655,968)
Fair value adjustments		3,097,700	-	-	3,097,700
		(558,268)	**-**	**-**	**(558,268)**
Surplus for the year		**73,396,990**	**-**	**4**	**73,396,994**

Notes to the Annual Financial Statements

49. Prior period

During the year the municipality identified that the financial system has been calculating the depreciation incorrectly. The municipality recalculated the depreciation and the accummulated depreciation for all assets and corrected the error in the financial system. The accummulated depreciation for the prior years has been misstated by a total amount of R5 405 490. A correction was thus made on the opening balance of accummulated depreciation as well as the opening balance of accummulated surplus. The error has been corrected retrospectively as required by GRAP 3 and accummulated surplus has been corrected as at 01 July 2016 which is the earliest period presented..

	2018	2017
Increase in land and building	-	20,312
Decrease in infrastructure assets	-	(154,569)
Increase in Motor vehicles	-	1,798,666
Increase in plant and machinery	-	897,876
Increase in community assets	-	166,629
Increase in computer equipment	-	1,382,053
Increase in furniture and fittings	-	1,294,525
Increase in accummulated surplus	-	(5,405,492)
	-	**-**

50. Other Receivables

DLTC debtor	1,445,971	1,445,971
Other receivable	12,708	12,708
Written off	(1,458,679)	-
	-	**1,458,679**

The R1 445 971 are monies identified as received by the DLTC but not banked into the Nyandeni Local Municipality's FNB Bank account over the period 1 July 2016 to 30 June 2017. The R12 708 relates to an uknown debtor that relates to unreconcilable differences which emanated in 2013. Both of these figures were written off after approval by the Council

51. Risk management

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.

Notes to the Annual Financial Statements

	2018 R	2017 R

51. Risk management (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial asset will fail to discharge an obligation and cause the municipality to incur a financial. Credit risk consist mainly of of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality is compelled in terms of its consitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequenlty incur debt for rates and refuse.

Nyandeni Local Municipality endeavours to collect all debts owed to the municipality by sending statements monthly to remind debtors, levying of penalty charges and as a last resort hand over debtors to the debt collection agent. All rates and services are payables within 30 days from invoice date, refer to note 5 for all balances outstanding longer than 30 days. These debtors represent all debtors at year end which defaulted on their credit terms.

Cash and cash equivalents consist of short term investments and the primary bank account of the municipality. Short term investments are held in two banking institutions namely First National Bank and Standard Bank, this ensures that the municipality enjoys diversified interest rates.

Financial instrument	2018	2017
Receivables from non-echange transactions	871,616	1,705,614
Receivables from exchange transactions	45,087	46,742
Cash and cash equivalents	184,408,608	134,319,513
VAT receivable	8,336,587	4,402,345

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates Not appliacble to the Municipality, there were no loans during the year.

Interest rate risk is not applicable to the municipality as there were no loans taken during the year and the penalty interest on outstanding debtors is fixed at 10%.

Price risk

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 caused by intererst rate risk) whether those changes are caused by factors specific to the individualfinncial instrument or its issuer.

The price risk is not applible to the municipality as the municipality does not have financial assets with prices dependent on the market prices.

52. Going concern

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

53. Events after the reporting date

There are no adjusting events that were identified after year end by the municipality.

	2018 R	2017 R

54. Fruitless and wasteful expenditure

	2018	2017
Add: Fruitless and wasteful expenditure current year	3,311	17,215
Less: approved and written off by council	(3,311)	(17,215)
	-	-

55. Irregular expenditure

	2018	2017
Opening balance	314,465,536	213,512,501
Add: Irregular Expenditure - current year relatingto current year projects	105,741,032	57,264,845
Add: Irregular Expenditure - current year relatingto proir year projects	-	46,160,130
Less: Written off	(420,206,568)	(2,471,940)
	-	**314,465,536**

Details of irregular expenditure written off

	Condoned by (condoning authority)	
Tender requirements were not fully adhered to	Written off	105,741,032
Irregular expenditure identified by the AG in the previous year	Written off	314,465,536
		420,206,568

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2018	2017
Current year subscription / fee	1,240,010	1,529,198
Amount paid - current year	(1,240,010)	(1,529,198)
	-	-

Audit fees

	2018	2017
Current year subscription / fee	3,964,815	3,358,575
Amount paid - current year	(3,964,815)	(3,358,575)
	-	-

PAYE and UIF

	2018	2017
Current year subscription / fee	20,734,049	17,777,412
Amount paid - current year	(20,734,049)	(17,777,412)
	-	-

Pension and Medical Aid Deductions

	2018	2017
Current year subscription / fee	27,653,501	24,617,180
Amount paid - current year	(27,653,501)	(24,617,180)
	-	-

	2018 R	2017 R

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

VAT

	2018 R	2017 R
VAT receivable	8,336,588	4,402,345

VAT receivables and VAT payables are shown in note 4 .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor P Godongwana	-	685	685

Supply chain management regulations

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

Incident	2018 R	2017 R
Other	5,836,830	9,202,796

57. Actual operating expenditure versus budgeted operating expenditure

Inventory - The variance is due to the fact that inventory is held for use by the municipal officials as it is stationery items

Operating lease asset - This items relates to the operating leases which relies on the contract that exists with the municipality.

Receivables from non-exchange transactions - The receivables from non-exchange transactions are mainly property rates and traffic fines debtors and are consumer driven

Payables from exchange transactions - The variance is due to an increase in leave accrual, overtime accrual and bonus provision which are budgeted under provisions.

Finance lease obligation - The variance is due to the fact that contracts for some photocopying machines which were leased from Nashua expired during the year.

Provisions - Provisions includes provision for leave accrual, employee benefit obligation, overtime accrual and bonus provision which are shown in payables from exchange transactions.

Bulk purchases - The bulk purchases relate to payments to eskom for electricity usage and has been budgeted under general expenditure

Contracted services, transfers and subsidies, sale of goods/inventory and general expenditure - The variance is due to reclassification as a result of a new chart of accounts between these items of expenditure.

I**nvestment property** - The variance is due to fair value adjustment.

Consumer debtors - These debtors relates to refuse debtors and are consumer driven

Cash and cash equivalents - This is due to the unspent grant and the results of diversifying the investment portfolio of the municipality.

Intangible assets - The municipality had budgeted to procure Electronic Document Management System but due to scoa the project had to wait.

Service charges - The municipality collected less than the budgeted service charges budget during the year, this is as a result of anticipated inclusion of government properties situated in the rural areas.

Rental of facilities - The overcollection is due to improved management of municipal amenities

Agency services - The over collection is due to awareness campaigns about the existence of the registration authority.

Impairment loss - The variance is as a result of improved collection procedures for outstanding debts.

Finance cost - The budget for finanace cost was included under lease rentals.

Lease rentals - The lease rentals budget also include budget for finance costs

Licences and permits - Licences and permits are consumer driven, hence the difference between budget and actual.

Operational revenue - OPerational revenue is consumer driven, hence the difference between budget and actual.

Investment revenue - The municipality has diversified the investment portfolio.

Property rates - The variance is due to changes in property values as a result on implementation of the supplementary valuation roll.

	2018 R	2017 R

57. Actual operating expenditure versus budgeted operating expenditure (continued)

Interest on overdue accounts - The municpality did not anticipate the non-payment of debts due to the fact that in the previous budget year debts were written off to assist the consumers to pay their debts.

Traffic fines and pound fees - The municipality has improved the processes and controls on the revenue collection relating to law enforcement fines.

58. Commitments

Authorised capital expenditure

Already contracted but not provided for	2018	2017
Property, plant and equipment	113,401,838	20,856,493

The committed expenditure relates to property, plant and equipment and will be financed by existing cash resources and funds internally generated.