



Metsimaholo Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, spatial development and land use management, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and sold and distributed to the consumers by the municipality); Water Services (supplying water to the consumers); and Rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, but including the rental of units owned by the municipality to the public and staff).

Mayoral committee

Mayoral committee members up until 9 August 2016

Khonto MW

Kubheka NJ

Mabasa KT

Mabefu RJ

Makhoba KJ (Council Whip from 25 November 2015)

Mtshali NM (from 25 November 2015)

Radebe AN

Semonyo LS

Tshongwe SL

Mayoral committee members 22 August 2016 - 22 February 2017

Mofokeng TH (Councillor from 10 August 2016)

Mothibe MB (Councillor from 10 August 2016)

Mohapi P (Councillor from 10 August 2016)

Gaigher L (Councillor from 10 August 2016)

Motlhale SM (Councillor from 10 August 2016)

Grobbelaar JJ

Mthembu S (Councillor from 10 August 2016)

Burger GS (Councillor from 10 August 2016 - 3 March 2017)

Mayoral committee members 23 February 2017 - 30 June 2017

Mabasa KT

Mosia TE (Chairperson MPAC till 9 August 2017)

Mosokweni F (Councillor from 10 August 2016)

Fisher L (Councillor from 10 August 2016)

Mokoena NP (Councillor from 10 August 2016)

Radebe TL (Councillor from 10 August 2016)

Mthembu S (Councillor from 10 August 2016)

Mtshali NM (since 25 November 2015 to 10 August 2016 and From 4 March 2017))

Executive Mayor

Mahlaku BT (till 9 August 2016)

Hlasa RS (from 22 August 2016)

Councillors

Matena SZ (Speaker till 9 August 2016)

Soetsang TL (Council whip till 31 October 2015 and councillor till 9 August 2016)

Du Plooy A (Speaker from 22 August 2016)

Radebe LW (Council Whip from 22 August 2016)

Chebase LR (till 9 August 2016)

Coetzer FC (till 9 August 2016)

Du Plessis J (till 9 August 2016)

Du Toit T

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General Information

Dywili NN (from 10 August 2016)
Geyser JJ
Gouws EJ (from 10 August 2016)
Khunou SB (till 9 August 2016)
Kobo SS (from 10 August 2016)
Machaea MF (till 9 August 2016)
Madia RM (from 10 August 2016)
Mahlangu PJ (till 9 August 2016)
Majadibodu KC (from 10 August 2016)
Makhata L (from 10 August 2016)
Makhefu L (from 1 February 2017)
Mare AK
Maseko VJ (till 9 August 2016)
Mdola NL (till 9 August 2016)
Mofokeng D (from 10 August 2016)
Mofokeng SS (till 9 August 2016)
Mofokeng TJ (till 9 August 2016)
Mokoena DE (till 9 August 2016)
Mokoena MP (from 10 August 2016)
Molawa M (from 10 August 2016)
Moolman HJ (till 9 August 2016)
Moreki S (till 9 August 2016)
Mosia MM (till 9 August 2016)
Motaung TA (from 10 August 2016) and MPAC chairperson from 28 September 2016
Motjeane S (from 10 August 2016) and Ethics chairperson from 28 September 2016
Nnune GB
November N (from 10 August 2016)
Nthebe MD (till 9 August 2016)
Ntoane MG (till 9 August 2016)
Nteso SJ (from 10 August 2016)
Oswald DM (till 9 August 2016)
Phepheng-Lelahla JM (till 9 August 2016)
Poho MS (till 9 August 2016)
Rampala AM (till 9 August 2016)
Sejaki MN (till 9 August 2016)
Tamane MA (till 9 August 2016)
Telane MM (from 10 August 2016)
Tsetetsi L (from 10 August 2016)
Viljoen JD
Van der Walt MC (till 9 August 2016)
Zwane ZJ (from 23 February 2017)

Metsimaholo Local Municipality

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General Information

Grading of local authority	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Capacity of local authority	High Capacity
Municipal demarcation code	FS204
Accounting Officer	Molala SM
Chief Financial Officer (CFO)	Lambat A (B.Com, B.Accounting, CA(SA))
Registered office	Civic Centre Fichardt Street Sasolburg 1947
Business address	Civic Centre Fichardt Street Sasolburg 1947
Postal address	PO Box 60 Sasolburg 1947
Bankers	The Standard Bank of South Africa Ltd ABSA Bank Ltd
Auditors	Auditor-General of South Africa
Attorneys	Adolff Attorneys Boitumelo Maubane Attorneys Lebea and Associates Attorneys Leepile & Mbewe Inc Lizel Venter Attorneys Melato Attorneys Melato - Mkhwanazi Attorneys Molefi Thoabala Inc Attorneys Mollenaar and Griffiths Attorneys and Conveyancers Moroka Attorneys Ndobela Attorneys Ponoane Attorney, Notaries and Conveyancers Rasegoete & Associates Werksman Inc

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers (formerly IMFO)
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, Act No. 53 of 2003
MIG	Municipal Infrastructure Grant

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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

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

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

The annual financial statements set out on pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Molala SM
Accounting Officer

31 August 2017

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Notes	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	3	15,060,882	15,318,465
Other financial assets	4	3,018,504	4,117,476
Receivables from non - exchange transactions	5	77,930,642	63,483,471
Receivables from non - exchange transactions	6	142,215,392	147,923,826
Cash and cash equivalents	7	12,627,595	15,178,853
		250,853,015	246,022,091
Non-Current Assets			
Investment property	8	86,054,386	86,389,336
Property, plant and equipment	9	1,197,505,958	1,147,458,435
Intangible assets	10	4,421,285	317,626
Heritage assets	11	561,001	561,001
		1,288,542,630	1,234,726,398
Total Assets		1,539,395,645	1,480,748,489
Liabilities			
Current Liabilities			
Operating lease liability	12	2,339,748	1,883,504
Finance lease obligation	13	2,727,836	1,375,608
Payables from exchange transactions	14	221,585,738	214,192,180
VAT payable	15	6,234,447	10,915,968
Consumer deposits	16	19,459,196	18,026,993
Unspent conditional grants and receipts	17	7,583,751	833,375
Short term portion - long term loan	18	1,379,692	1,267,234
		261,310,408	248,494,862
Non-Current Liabilities			
Finance lease obligation	13	9,637,580	7,854,607
Employee benefit obligation	19	40,593,044	39,153,834
Landfill closure provision	20	31,850,938	49,618,678
Long term loan	18	3,136,825	4,516,517
		85,218,387	101,143,636
Total Liabilities		346,528,795	349,638,498
Net Assets		1,192,866,850	1,131,109,991
Accumulated surplus		1,192,866,850	1,131,109,991

* See Note 40

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Notes	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	524,105,868	513,136,112
Non-payment fees		5,601,620	5,202,473
Licences and permits		116,954	159,061
Fines		17,272,057	17,674,548
Levies - refuse dump yard		626,620	825,555
Connection fees		3,167,363	2,338,908
Other income	22	7,275,452	4,480,888
Income legal cost		3,593,305	4,464,527
Interest received - investment	23	2,107,597	2,701,815
Dividends received	23	98,858	96,022
Interest income - consumers	56	25,071,512	16,449,002
Rental of facilities	57	6,068,776	4,641,920
Total revenue from exchange transactions		595,105,982	572,170,831
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	128,980,269	114,445,495
Transfer revenue			
Government grants and subsidies	25	209,642,375	202,893,358
Public contributions and donations	26	10,414,953	16,729,794
Total revenue from non-exchange transactions		349,037,597	334,068,647
Total revenue	56	944,143,579	906,239,478
Expenditure			
Employee related costs	27	(244,980,573)	(231,547,634)
Remuneration of councillors	28	(15,757,133)	(15,246,933)
Depreciation and amortisation	29	(39,336,244)	(42,930,416)
Finance costs	30	(3,175,419)	(991,367)
Lease rentals on operating lease		(4,637,354)	(3,712,648)
Debt impairment	31	(140,049,611)	(127,167,185)
Bulk purchases	32	(324,861,874)	(317,838,362)
Contracted services	33	(31,384,039)	(30,976,176)
General expenses	34	(77,786,839)	(85,153,769)
Repairs and maintenance	54	(18,129,239)	(20,450,147)
Total expenditure		(900,098,325)	(876,014,637)
Operating surplus		44,045,254	30,224,841
(Loss)/ gain on disposal of assets		(1,876,969)	(1,657,070)
Actuarial gain/(loss)		1,419,971	4,185,156
Sale of stands	52	294,457	1,425,535
(Loss)/gain on inventory		(19,020)	409,049
Library inventory transfer write-downs		(79,295)	-
Fair value adjustments on stands		-	6,491,043
Fair value adjustment on listed equities		204,724	(275,732)
Rehabilitation of land fill sites	20	17,767,740	(4,724,649)
		17,711,608	5,853,332
Surplus for the year		61,756,862	36,078,173

* See Note 40

Metsimaholo Local Municipality

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1,093,923,583	1,093,923,583
Adjustments		
Prior year adjustments	1,108,235	1,108,235
Balance at 01 July 2015 as restated*	1,095,031,818	1,095,031,818
Changes in net assets		
Surplus for the year	36,078,173	36,078,173
Total changes	36,078,173	36,078,173
Restated* Balance at 01 July 2016	1,131,109,988	1,131,109,988
Changes in net assets		
Surplus for the year	61,756,862	61,756,862
Total changes	61,756,862	61,756,862
Balance at 30 June 2017	1,192,866,850	1,192,866,850

* See Note 40

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		523,185,875	528,945,092
Grants		214,343,417	202,893,358
Interest income		27,179,109	15,861,017
Dividends received		98,858	96,022
Other receipts		26,664,463	9,942,303
		<u>791,471,722</u>	<u>757,737,792</u>
Payments			
Employee costs		(256,018,034)	(241,974,313)
Suppliers		(453,565,281)	(437,550,322)
Finance costs		(1,932,247)	(947,457)
		<u>(711,515,562)</u>	<u>(680,472,092)</u>
Net cash flows from operating activities	35	<u>79,956,160</u>	<u>77,265,700</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(85,973,538)	(99,267,340)
Movement in other financial assets		1,303,696	1,493,076
Proceeds from sale of stands		294,457	1,425,535
		<u>(84,375,385)</u>	<u>(96,348,729)</u>
Net cash flows from investing activities		<u>(84,375,385)</u>	<u>(96,348,729)</u>
Cash flows from financing activities			
Repayment of finance lease		(1,977,461)	-
Repayment of long term loan		(1,267,234)	(1,163,296)
Finance lease receipts		5,112,662	9,230,215
		<u>1,867,967</u>	<u>8,066,919</u>
Net cash flows from financing activities		<u>1,867,967</u>	<u>8,066,919</u>
Net increase/(decrease) in cash and cash equivalents		<u>(2,551,258)</u>	<u>(11,016,110)</u>
Cash and cash equivalents at the beginning of the year		15,178,853	26,194,963
Cash and cash equivalents at the end of the year	7	<u>12,627,595</u>	<u>15,178,853</u>

* See Note 40

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	682,952,050	(11,100,000)	671,852,050	524,105,868	(147,746,182)	51.1
Rental of facilities and equipment	5,780,030	-	5,780,030	6,068,776	288,746	
Interest income - consumers	18,940,170	3,100,000	22,040,170	25,071,512	3,031,342	51.28
Non - payment fees	3,979,180	2,000,000	5,979,180	5,601,620	(377,560)	51.2
Licences and permits	190,600	-	190,600	116,954	(73,646)	51.13
Fines	3,025,020	-	3,025,020	17,272,057	14,247,037	51.9
Levies dump yard	1,110,920	-	1,110,920	626,620	(484,300)	
Connection fees	3,269,200	-	3,269,200	3,167,363	(101,837)	51.5
Other income	7,132,280	39,780	7,172,060	7,275,452	103,392	51.3 ;4;7;8;23
Income legal cost	5,266,360	-	5,266,360	3,593,305	(1,673,055)	51.12
Interest received - investment	2,600,000	(1,200,000)	1,400,000	2,107,597	707,597	51.10
Dividends received	-	-	-	98,858	98,858	51.27
Total revenue from exchange transactions	734,245,810	(7,160,220)	727,085,590	595,105,982	(131,979,608)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	113,366,430	7,830,000	121,196,430	128,980,269	7,783,839	51.6
Transfer revenue						
Government grants and subsidies	188,286,000	11,478,800	199,764,800	209,642,375	9,877,575	51.11
Public contributions and donations	10,500,000	3,974,850	14,474,850	10,414,953	(4,059,897)	51.22
Total revenue from non-exchange transactions	312,152,430	23,283,650	335,436,080	349,037,597	13,601,517	
Total revenue	1,046,398,240	16,123,430	1,062,521,670	944,143,579	(118,378,091)	
Expenditure						
Employee related cost	(263,354,520)	(3,475,350)	(266,829,870)	(244,980,573)	21,849,297	51.17
Remuneration of councillors	(16,343,070)	-	(16,343,070)	(15,757,133)	585,937	51.18
Depreciation and amortisation	(73,535,340)	-	(73,535,340)	(39,336,244)	34,199,096	51.24
Finance costs	(2,541,470)	(294,400)	(2,835,870)	(3,175,419)	(339,549)	51.14
Lease rentals on operating lease	(5,005,630)	600,390	(4,405,240)	(4,637,354)	(232,114)	51.15
Debt impairment	(84,441,070)	(10,000,000)	(94,441,070)	(140,049,611)	(45,608,541)	51.21
Repairs and maintenance	(38,199,230)	260,000	(37,939,230)	(18,129,239)	19,809,991	51.29
Bulk purchases	(371,654,250)	10,020,000	(361,634,250)	(324,861,874)	36,772,376	51.25
Contracted services	(36,532,200)	(1,563,200)	(38,095,400)	(31,384,039)	6,711,361	51.20;26
General expenses	(107,230,180)	553,600	(106,676,580)	(77,786,839)	28,889,741	51.19;51.16
Total expenditure	(998,836,960)	(3,898,960)	(1,002,735,920)	(900,098,325)	102,637,595	
Operating surplus	47,561,280	12,224,470	59,785,750	44,045,254	(15,740,496)	

Metsimaholo Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Loss on disposal of assets and liabilities	-	-	-	(1,876,969)	(1,876,969)	
Actuarial gain	-	-	-	1,419,971	1,419,971	
Rehabilitation of landfill sites	-	-	-	17,767,740	17,767,740	
Sale of stands	1,001,000	-	1,001,000	294,457	(706,543)	
Loss on inventory	-	-	-	(19,020)	(19,020)	
Library transfer of assets	-	-	-	(79,295)	(79,295)	
Fair value adjustment on shares	-	-	-	204,724	204,724	
	1,001,000	-	1,001,000	17,711,608	16,710,608	
Surplus before taxation	48,562,280	12,224,470	60,786,750	61,756,862	970,112	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	48,562,280	12,224,470	60,786,750	61,756,862	970,112	

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Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2017											
Financial Performance											
Property rates	113,366,430	7,830,000	121,196,430	-	-	121,196,430	128,980,269	-	7,783,839	106 %	114 %
Service charges	682,952,050	(11,100,000)	671,852,050	-	-	671,852,050	524,105,868	-	(147,746,182)	78 %	77 %
Investment revenue	2,600,000	(1,200,000)	1,400,000	-	-	1,400,000	2,206,455	-	806,455	158 %	85 %
Transfers recognised - operational	127,663,000	1,478,800	129,141,800	-	-	129,141,800	131,170,233	-	2,028,433	102 %	103 %
Other own revenue	49,694,760	5,139,780	54,834,540	-	-	54,834,540	70,508,087	-	15,673,547	129 %	142 %
Total revenue (excluding capital transfers and contributions)	976,276,240	2,148,580	978,424,820	-	-	978,424,820	856,970,912	-	(121,453,908)	88 %	88 %
Employee costs	(263,354,520)	(3,475,350)	(266,829,870)	-	-	(266,829,870)	(244,980,573)	-	21,849,297	92 %	93 %
Remuneration of councillors	(16,343,070)	-	(16,343,070)	-	-	(16,343,070)	(15,757,133)	-	585,937	96 %	96 %
Debt impairment	(84,441,070)	(10,000,000)	(94,441,070)	-	-	(94,441,070)	(140,049,611)	-	(45,608,541)	148 %	166 %
Depreciation and asset impairment	(73,535,340)	-	(73,535,340)	-	-	(73,535,340)	(39,336,244)	-	34,199,096	53 %	53 %
Finance charges	(2,541,470)	(294,400)	(2,835,870)	-	-	(2,835,870)	(3,175,419)	-	(339,549)	112 %	125 %
Materials and bulk purchases	(371,654,250)	10,020,000	(361,634,250)	-	-	(361,634,250)	(324,861,874)	-	36,772,376	90 %	87 %
Other expenditure	(186,967,240)	(149,210)	(187,116,450)	-	-	(187,116,450)	(133,893,735)	-	53,222,715	72 %	72 %
Total expenditure	(998,836,960)	(3,898,960)	(1,002,735,920)	-	-	(1,002,735,920)	(902,054,589)	-	100,681,331	90 %	90 %
Surplus/(Deficit)	(22,560,720)	(1,750,380)	(24,311,100)	-	-	(24,311,100)	(45,083,677)	-	(20,772,577)	185 %	200 %

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	60,623,000	10,000,000	70,623,000	-		70,623,000	78,472,142		7,849,142	111 %	129 %
Contributions recognised - capital and contributed assets	10,500,000	3,974,850	14,474,850	-		14,474,850	10,414,953		(4,059,897)	72 %	99 %
Surplus (Deficit) after capital transfers and contributions	48,562,280	12,224,470	60,786,750	-		60,786,750	43,803,418		(16,983,332)	72 %	90 %
Loss on inventory	-	-	-	-		-	(19,020)		(19,020)	DIV/0 %	DIV/0 %
Fair value adjustments on listed equities	-	-	-	-		-	204,724		204,724	DIV/0 %	DIV/0 %
Rehabilitation of landfill sites	-	-	-	-		-	17,767,740		17,767,740	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	48,562,280	12,224,470	60,786,750	-		60,786,750	61,756,862		970,112	102 %	127 %

Metsimaholo Local Municipality

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funding sources											
Total capital expenditure	113,245,440	13,194,420	126,439,860	-		126,439,860	(116,877,452)		(243,317,312)	(92)%	(103)%
Sources of capital funds											
Transfers recognised - capital	59,591,850	9,000,000	68,591,850	-		68,591,850	68,772,492		180,642	100 %	115 %
Public contributions and donations	7,500,000	4,974,850	12,474,850	-		12,474,850	8,864,203		(3,610,647)	71 %	118 %
Borrowing	1,000,000	10,084,570	11,084,570	-		11,084,570	4,484,791		(6,599,779)	40 %	448 %
Internally generated funds	45,153,590	(10,865,000)	34,288,590	-		34,288,590	11,663,239		(22,625,351)	34 %	26 %
Total sources of capital funds	113,245,440	13,194,420	126,439,860	-		126,439,860	93,784,725		(32,655,135)	74 %	83 %

Metsimaholo Local Municipality

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	125,402,000	(35,082,000)	90,320,000	-		90,320,000	79,956,160		(10,363,840)	89 %	64 %
Net cash from (used) investing	(104,744,000)	(8,219,000)	(112,963,000)	-		(112,963,000)	(84,375,385)		28,587,615	75 %	81 %
Net cash from (used) financing	(2,389,000)	11,151,000	8,762,000	-		8,762,000	1,867,967		(6,894,033)	21 %	(78)%
Net increase/(decrease) in cash and cash equivalents	18,269,000	(32,150,000)	(13,881,000)	-		(13,881,000)	(2,551,258)		11,329,742	18 %	(14)%
Cash and cash equivalents at the beginning of the year	732,000	13,613,000	14,345,000	-		14,345,000	15,178,853		833,853	106 %	2,074 %
Cash and cash equivalents at year end	19,001,000	(18,537,000)	464,000	-		464,000	12,627,595		(12,163,595)	2,721 %	66 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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. All figures are rounded to the nearest 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 are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. Any write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets 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 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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non - cash generating assets:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits and other long-term benefits

The present value of the post retirement and other long-term employee obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net long-term benefit include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 19.

Effective interest rate

The municipality used the incremental borrowing rate to discount future cash flows.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 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.

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

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

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

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

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	50 years

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 8).

1.4 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 or fair value of the item can be measured reliably.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment (continued)

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 the 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 is not determinable, its 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 part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality 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.

Subsequent to initial measurement 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. The depreciation charge is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	3 - 30 years
Infrastructure	Straight line	5 - 50 years
Land		Indefinite
Motor vehicles	Straight line	3 - 20 years
Office equipment	Straight line	3 - 10 years
Plant and machinery	Straight line	3 - 15 years

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 the 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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality 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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

Intangible assets are initially measured at cost.

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.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Metsimaholo Local Municipality

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Accounting Policies

1.6 Intangible assets (continued)

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

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. The amortisation charge for each period is recognised in surplus or deficit.

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

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Heritage assets (continued)

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.8 Financial instruments

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Operating lease	Financial liability measured at amortised cost
Long term loan	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;

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1.9 Statutory receivables (continued)

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

When inventories are sold, the carrying amount 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.

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Accounting Policies

1.11 Impairment of cash-generating assets

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

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

Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assets are treated as cash-generating assets.

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 tests 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 is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

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.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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 uses 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.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

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Accounting Policies

1.12 Impairment of non-cash-generating assets

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of service delivery and generating cash flows managed for non-cash-generating purposes the assets are treated as non - cash generating assets.

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.

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

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.

Metsimaholo Local Municipality

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.13 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.15 Leases

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

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

Finance leases - lessee

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.

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Accounting Policies

1.15 Leases (continued)

Operating leases - lessee

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

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

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

1.16 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises 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 municipality has no realistic alternative but to make the payments.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Metsimaholo Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

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

Metsimaholo Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

1.17 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.

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1.17 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

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

1.18 Revenue from exchange transactions

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.

Metsimaholo Local Municipality

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

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 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 surveys of work performed.

Interest and dividends

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

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

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

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

1.19 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

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

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.

Property rates

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

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

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

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

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

Transfers

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.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and 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.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and 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 discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 Commitments

Items are classified as commitments when the municipality 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 are 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 40 for detail.

1.25 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.

1.26 Fruitless and wasteful expenditure

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

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

1.27 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 municipality'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.

1.28 Budget information

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

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

The 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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.29 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.

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

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

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

1.30 Events after reporting date

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

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

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

The municipality discloses 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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarity was provided on the wording related to the use of external valuers;
- introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements..

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarity was provided on the wording related to the use of external valuers;
- introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

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

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

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

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

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

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

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

GRAP 37: Joint Arrangements

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

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

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

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

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

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

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

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

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

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

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

The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:

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

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

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

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

GRAP 16 (as amended 2016): Investment Property

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

The most significant changes to the Standard are:

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

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The most significant changes to the Standard are:

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

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 31 (as amended 2016): Intangible Assets

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

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

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

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

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

GRAP 103 (as amended 2016): Heritage Assets

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The most significant changes to the Standard are:

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

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

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

- control;
- related party transactions; and
- remuneration of management

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

GRAP 108: Statutory Receivables

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

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

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

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

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

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

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

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

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

GRAP 18 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management.

Metsimaholo Local Municipality

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2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Inventories

Water (purified water in reservoirs and pipes)	495,836	416,138
Unsold properties held for resale	13,164,043	13,635,042
Fuel (diesel, petrol)	391,185	203,333
Stores and materials	1,009,818	1,063,952
	<u>15,060,882</u>	<u>15,318,465</u>

After the inventory count, an amount of R 19 020 was written off.

Inventory pledged as security

During the year no inventory was pledged as security.

4. Other financial assets

Designated at fair value

Listed shares	2,987,863	2,783,139
Sanlam shares		
2017:46 109 @ R64.80		
2016:46 109 @ R60.36		
Unit trusts	-	1,303,696
Sanlam - SIM Money market fund		
2017:0 shares @ 100 cents		
2016:1 303 696 shares @ 100 cents		
	<u>2,987,863</u>	<u>4,086,835</u>

At amortised cost

Investment - ceded	30,641	30,641
	<u>3,018,504</u>	<u>4,117,476</u>

Total other financial assets

Current assets

At fair value	2,987,863	4,086,835
At amortised cost	30,641	30,641
	<u>3,018,504</u>	<u>4,117,476</u>

Metsimaholo Local Municipality

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	2017 R	2016 R
4. Other financial assets (continued)		
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 1		
Sanlam shares	2,987,863	2,783,139
Sanlam unit trust	-	1,303,696
	2,987,863	4,086,835
5. Receivables from non - exchange transactions		
Receivables	6,435,024	8,746,133
Deposits	1,764,798	1,675,695
Operating lease receivables	-	1
Rates	110,714,239	91,228,779
Sundry receivables	80,057,060	77,955,026
Traffic fines	15,808,225	17,692,325
Prepaid electricity payments	3,465,894	2,877,800
Allowance for impairment	(140,314,598)	(136,692,288)
	77,930,642	63,483,471
Pledged as security		
None of the receivables from non-exchange transactions was pledged as security by the municipality during the financial year.		
Rates		
Current (0 - 30 days)	9,624,912	7,442,119
31 - 60 days	4,945,408	3,820,017
61 - 90 days	2,798,629	2,373,003
> 91 days	93,345,290	77,593,640
Allowance for impairment	(63,072,614)	(53,256,207)
	47,641,625	37,972,572
Summary of receivables by customer classification		
Household consumers		
Current (0 - 30 days)	5,771,314	5,056,319
31 - 60 days	3,959,610	2,886,090
61 - 90 days	2,373,836	1,978,779
> 91 days	80,549,743	66,392,149
	92,654,503	76,313,337
Industrial and commercial consumers		
Current (0 - 30 days)	3,762,196	2,357,716
31 - 60 days	936,912	907,324
61 - 90 days	394,960	367,633
> 91 days	10,071,599	8,611,878
	15,165,667	12,244,551

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	2017 R	2016 R
5. Receivables from non - exchange transactions (continued)		
National and provincial government		
Current (0 - 30 days)	91,402	28,084
31 - 60 days	48,886	26,603
61 - 90 days	29,833	26,591
> 91 days	2,723,948	2,589,613
	2,894,069	2,670,891
Total		
Current (0 - 30 days)	9,624,912	7,442,119
31 - 60 days	4,945,408	3,820,017
61 - 90 days	2,798,629	2,373,003
> 91 days	93,345,290	77,593,640
Allowance for impairment	(63,072,614)	(53,256,207)
	47,641,625	37,972,572
Traffic Fines		
Current (0 -30 days)	1,233,690	342,900
31 - 60 days	922,400	1,898,400
61 - 90 days	2,118,700	1,800,300
> 91 days	11,533,435	13,650,725
Allowance for impairment	(11,162,025)	(11,547,250)
	4,646,200	6,145,075
Sundry Reveivables		
Current (0 - 30 days)	10,245,629	1,510,798
31 - 60 days	617,603	1,116,324
61 - 90 days	1,018,038	591,841
> 91 days	68,175,790	74,776,063
Allowance for impairment	(66,079,959)	(71,888,830)
	13,977,101	6,106,196
Credit quality of trade and other receivables		
The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.		
None of the financial assets that are fully performing have been renegotiated in the last year.		
Trade and other receivables impaired		
As of 30 June 2017, trade and other receivables of R 140,314,598 (2016: R 136,692,289) were impaired and provided for.		
The ageing of these trade and other receivables is as follows:		
3 to 6 months	3,816,667	2,964,844
Over 6 months	161,521,080	152,369,703

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	2017 R	2016 R
5. Receivables from non - exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(136,692,288)	(121,760,403)
Allowance for impairment on other receivables - reversal	5,808,871	(10,750,956)
Amounts written off as uncollectible (traffic fines)	16,651,323	20,023,298
Allowance for impairment on traffic fines	(16,266,097)	(17,464,434)
Allowance for impairment on rates	(10,092,833)	(7,035,250)
Amounts written off as uncollectible (rates)	276,426	295,457
	<u>(140,314,598)</u>	<u>(136,692,288)</u>
6. Receivables from exchange transactions		
Gross balances		
Electricity	89,262,279	82,666,700
Water	602,404,237	510,904,316
Sewerage	38,404,659	32,685,659
Refuse	53,961,078	44,094,636
	<u>784,032,253</u>	<u>670,351,311</u>
Less: Allowance for impairment		
Electricity	(42,126,623)	(34,843,524)
Water	(523,051,031)	(423,495,510)
Sewerage	(31,688,648)	(27,258,752)
Refuse	(44,950,559)	(36,829,699)
	<u>(641,816,861)</u>	<u>(522,427,485)</u>
Net balance		
Electricity	47,135,656	47,823,176
Water	79,353,206	87,408,806
Sewerage	6,716,011	5,426,907
Refuse	9,010,519	7,264,937
	<u>142,215,392</u>	<u>147,923,826</u>
Electricity		
Current (0 -30 days)	14,680,927	7,364,030
31 - 60 days	7,403,996	6,242,597
61 - 90 days	3,502,911	3,035,403
91 - 120 days	63,674,445	66,024,670
Allowance for impairment	(42,126,623)	(34,843,524)
	<u>47,135,656</u>	<u>47,823,176</u>
Water		
Current (0 - 30 days)	25,827,113	39,567,429
31 - 60 days	17,909,637	24,954,620
61 - 90 days	13,556,462	14,045,428
91 - 120 days	545,111,026	432,336,839
Allowance for impairment	(523,051,032)	(423,495,510)
	<u>79,353,206</u>	<u>87,408,806</u>

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 - 30 days)	1,931,584	1,734,317
31 - 60 days	1,215,947	1,038,955
61 - 90 days	864,552	705,822
91 - 120 days	34,392,575	29,206,565
Allowance for impairment	(31,688,647)	(27,258,752)
	6,716,011	5,426,907
Refuse		
Current (0 - 30 days)	2,515,665	2,250,898
31 - 60 days	1,659,297	1,533,412
61 - 90 days	1,321,492	1,149,573
91 - 120 days	48,464,624	39,160,753
Allowance for impairment	(44,950,559)	(36,829,699)
	9,010,519	7,264,937

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Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 - 30 days)	33,459,826	36,898,634
31 - 60 days	20,266,278	23,169,199
61 - 90 days	16,402,120	12,358,356
91 - 120 days	637,467,996	509,565,806
	707,596,220	581,991,995
Industrial / commercial		
Current (0 - 30 days)	9,270,448	10,230,670
31 - 60 days	5,220,833	5,927,714
61 - 90 days	1,409,659	6,054,632
91 - 120 days	42,580,608	40,364,786
	58,481,548	62,577,802
National and provincial government		
Current (0 - 30 days)	2,225,015	3,787,370
31 - 60 days	2,701,766	4,672,671
61 - 90 days	1,433,638	523,237
91 - 120 days	11,594,066	16,798,236
	17,954,485	25,781,514
Total		
Current (0 - 30 days)	44,955,289	50,916,674
31 - 60 days	28,188,877	33,769,584
61 - 90 days	19,245,417	18,936,225
91 - 120 days	691,642,670	566,728,828
	784,032,253	670,351,311
Less: Allowance for impairment	(641,816,861)	(522,427,485)
	142,215,392	147,923,826
Less: Allowance for impairment		
Current (0 - 30 days)	(12,708,249)	(14,004,296)
31 - 60 days	(14,410,421)	(17,275,093)
61 - 90 days	(12,978,749)	(9,275,549)
91 - 120 days	(601,719,442)	(481,872,547)
	(641,816,861)	(522,427,485)
Total debtor past due but not impaired		
Current (0 - 30 days)	32,247,040	36,912,379
31 - 60 days	13,778,456	16,494,491
61 - 90 days	6,266,668	9,660,676
91 - 120 days	89,923,228	84,856,280
	142,215,392	147,923,826

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(522,427,485)	(430,760,556)
Contributions to allowance	(119,384,073)	(91,916,543)
Debt impairment written off against allowance	-	249,614
Reversal of written off debt	(5,303)	-
	(641,816,861)	(522,427,485)

Credit quality of receivables from exchange transactions

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

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

Receivables from exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 109,968,352 (2016: R 109,374,522) were past due but not impaired.

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

1 month past due	13,778,456	16,494,491
2 months past due	6,266,668	9,660,676
3 months past due	89,923,228	83,219,355

Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R 641,816,861 (2016: R 522,427,485) were impaired and provided for.

The ageing of the impairment is as follows:

3 to 6 months	12,978,749	9,275,549
Over 6 months	601,719,442	481,872,547

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,150	5,489
Bank balances	5,245,991	1,223,842
Short-term deposits	7,376,454	13,949,522
	12,627,595	15,178,853

Cash and cash equivalents held by the municipality allocated to unspent conditional grants	7,583,751	833,375
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Unspent grants

- Department of Co-operative Governance R 704 984 (2016: R 704 984)
- Department of Water and sanitation R 79 057 (2016: R 79 057)
- Department of Energy 2017: R 1 442 950 (2016: R 0)
- Extended Public Works Program 2017: R 0 (2016: R 49 334)
- Municipal Infrastructure Grant R 5 356 759 (2016: R 0)

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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7. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as guarantees

Guarantee: Eskom as electricity deposit	990,000	990,000
Guarantee: Post Office as postal deposit	80,000	80,000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Cheque Account	635,473	407,374	3,584,900	635,472	404,974	3,584,900
ABSA Bank - Revenue account- 520 000 062	-	-	-	-	(3,188)	-
Standard Bank - current account (primary bank account) - 240347862	4,988,001	4,592,175	2,290,877	4,610,519	1,335,591	2,882,505
Standard Bank - Revenue Account - 33 197 836 9	-	-	8,393,419	-	(513,535)	8,389,773
ABSA Bank - Call Account - 907 840 0708	1,154,993	1,915,309	3,633,177	-	-	-
ABSA Bank - Call Account - 907 840 0708	-	27,726	1,427,726	-	-	-
Standard Bank - Call deposit account	109,045	5,573,806	1,073,805	-	-	-
Standard Bank - Call deposit account - 228 505 348	323,807	129,530	394	-	-	-
Nedbank -Call deposit account -788 103 308	1,073,095	73,095	5,773,095	-	-	-
Standard Bank - money Market- 447 648	-	-	1,000,000	-	-	-
Investec- Call account- 1100 - 523923	4,687,789	6,230,057	-	-	-	-
Rand Merchant Bank CDS- DC02J00005	27,726	-	-	-	-	-
Investments	-	-	-	7,376,454	13,949,522	11,332,296
Total	12,999,929	18,949,072	27,177,393	12,622,445	15,173,364	26,189,474

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	86,592,762	(538,376)	86,054,386	86,902,762	(513,426)	86,389,336

Reconciliation of investment property - 2017

	Opening balance	Disposals	Depreciation	Total
Investment property	86,389,336	(310,000)	(24,950)	86,054,386

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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	2017 R	2016 R
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8. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	86,415,127	(25,791)	86,389,336

Pledged as security

None of the above investment property have been pledged as security.

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

During the year no repairs and maintenance cost occurred on investment property.

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure Work in Progress	352,466,847	-	352,466,847	300,761,672	-	300,761,672
Buildings	138,700,178	(57,569,302)	81,130,876	133,213,529	(54,881,551)	78,331,978
Buildings Work in Progress	8,654,577	-	8,654,577	7,549,884	-	7,549,884
Land Work in Progress	63,665	-	63,665	63,665	-	63,665
Furniture and fixtures	25,087,378	(18,558,542)	6,528,836	26,168,400	(20,511,333)	5,657,067
Infrastructure	1,508,495,586	(1,030,559,786)	477,935,800	1,485,411,882	(992,475,542)	492,936,340
Land	225,302,149	-	225,302,149	225,607,149	-	225,607,149
Leased assets	11,019,753	(994,762)	10,024,991	8,096,680	(103,938)	7,992,742
Motor vehicles	33,500,369	(18,719,226)	14,781,143	31,944,815	(20,574,130)	11,370,685
Office equipment	41,067,057	(27,922,528)	13,144,529	40,216,253	(30,197,597)	10,018,656
Plant and machinery	19,157,926	(11,685,381)	7,472,545	18,459,474	(11,290,877)	7,168,597
Total	2,363,515,485	(1,166,009,527)	1,197,505,958	2,277,493,403	(1,130,034,968)	1,147,458,435

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Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	78,331,978	3,298,748	2,187,901	-	(2,687,751)	81,130,876
Buildings Work in Progress	7,549,884	1,104,693	-	-	-	8,654,577
Furniture and fixtures	5,657,067	60,813	-	(108,800)	919,756	6,528,836
Infrastructure	492,936,340	23,438,206	-	(354,500)	(38,084,246)	477,935,800
Infrastructure Work in Progress	300,761,672	51,705,175	-	-	-	352,466,847
Land	225,607,149	-	-	(305,000)	-	225,302,149
Motor vehicles	11,370,685	1,828,994	1,413,271	(306,964)	475,157	14,781,143
Office equipment	10,018,656	557,898	838,175	(49,496)	1,779,296	13,144,529
Plant and machinery	7,168,597	1,055,939	-	(50,504)	(701,487)	7,472,545
Land Work in Progress	63,665	-	-	-	-	63,665
Leased assets	7,992,742	2,923,073	-	-	(890,824)	10,024,991
	1,147,458,435	85,973,539	4,439,347	(1,175,264)	(39,190,099)	1,197,505,958

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	80,996,249	-	-	-	(2,664,271)	78,331,978
Buildings Work in Progress	1,642,905	5,906,979	-	-	-	7,549,884
Furniture and fixtures	7,859,479	332,278	-	-	(2,534,690)	5,657,067
Infrastructure	490,645,572	17,027,883	14,728,477	(1,579,036)	(27,886,556)	492,936,340
Infrastructure Work in progress	234,068,872	66,692,800	-	-	-	300,761,672
Land	225,266,449	-	340,700	-	-	225,607,149
Motor vehicles	15,229,557	-	-	(53,300)	(3,805,572)	11,370,685
Office equipment	14,942,927	16,694	1,315	(663)	(4,941,617)	10,018,656
Plant and machinery	6,902,738	1,130,361	-	(24,071)	(840,431)	7,168,597
Land Work in Progress	-	63,665	-	-	-	63,665
Lease assets	-	8,096,680	-	-	(103,938)	7,992,742
	1,077,554,748	99,267,340	15,070,492	(1,657,070)	(42,777,075)	1,147,458,435

Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note 13.

Assets subject to finance lease (net carrying amount)

Motor vehicles	9,241,705	7,992,742
Office equipment	783,286	-
	10,024,991	7,992,742

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	2017 R	2016 R	
9. Property, plant and equipment (continued)			
Reconciliation of Work-in-Progress 2017			
	Included within Infrastructure	Included within Other PPE	Total
Opening balance	300,761,672	7,613,549	308,375,221
Additions/capital expenditure	65,499,812	3,700,180	69,199,992
Transferred to completed items	(13,794,637)	(2,595,487)	(16,390,124)
	<u>352,466,847</u>	<u>8,718,242</u>	<u>361,185,089</u>
Reconciliation of Work-in-Progress 2016			
	Included within Infrastructure	Included within Other PPE	Total
Opening balance	234,068,872	1,642,905	235,711,777
Additions/capital expenditure	66,692,800	5,970,644	72,663,444
	<u>300,761,672</u>	<u>7,613,549</u>	<u>308,375,221</u>
Expenditure incurred to repair and maintain property, plant and equipment			
Expenditure included in Statement of Financial Performance			
Employee related costs		58,977,913	53,996,298
Contracted services and materials		18,129,239	20,450,147
General expenses		638,935	3,241,456
		<u>77,746,087</u>	<u>77,687,901</u>

Projects delayed

Gortin Sanitation project: Dispute between consultant and contractor pertaining to the design and additional scope of work and hence payment dispute.

Oranjeville Sports Complex: There were design discrepancies on the earthworks and labour disputes on subcontracting. Inadequate funding that result in a request for additional budget. The scope of work need to be reduced.

Paving of roads Ward 10 Zamdela: Limited funding and planned for 2017/18 financial year.

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,088,176	(666,891)	4,421,285	863,321	(545,695)	317,626

Reconciliation of intangible assets - 2017

	Opening balance	Additions through donations	Amortisation	Total
Computer software	317,626	4,224,855	(121,196)	4,421,285

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	445,177	(127,551)	317,626

Pledged as security

None of the above intangible assets have been pledged as security.

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

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561,001	-	561,001	561,001	-	561,001

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	561,001	561,001

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	561,001	561,001

Heritage assets which fair values cannot be reliably measured

This is land used to manufacture bricks that were used to build the Union Buildings in Pretoria (Tshwane).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
12. Operating lease		
Government Garage		
Opening balance	1,883,504	1,199,646
Movement for the year	456,243	683,858
	2,339,747	1,883,504
Minimum lease payments due		
- within one year	2,847,658	3,530,841
- in second to fifth year inclusive	1,909,720	3,336,907
	4,757,378	6,867,748
Operating lease - Government Garage		
Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of three years and rentals are fixed for the full term of the lease.		
Operating lease - Abrahamsrust Resort		
Operating lease payments represent rentals payable by the municipality for rental of property situated in Abrahamsrust.		
The municipality has a 50 year lease that expired on 31 March 2017 and a new lease has been entered into for a period of three years. The new agreement is from 1 April 2017 till 31 March 2019 and amounts to R1 per year.		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	3,852,875	2,241,653
- in second to fifth year inclusive	11,211,156	9,389,987
- later than five years	-	186,752
	15,064,031	11,818,392
less: future finance charges	(2,698,615)	(2,588,177)
Present value of minimum lease payments	12,365,416	9,230,215
Present value of minimum lease payments due		
- within one year	2,727,836	1,375,608
- in second to fifth year inclusive	9,637,580	7,669,393
- later than five years	-	185,214
	12,365,416	9,230,215
Non-current liabilities	9,637,580	7,854,607
Current liabilities	2,727,836	1,375,608
	12,365,416	9,230,215

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease terms were 3 and 5 years and the average effective borrowing rate was 10% (2016: 10%).

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
14. Payables from exchange transactions		
Accrued bonus	4,637,802	4,453,544
Accrued expenses	107,594,762	113,963,837
Accrued leave pay	16,197,969	14,521,736
Eskom	38,734,074	26,449,491
Payments received in advance	17,074,503	15,498,789
Rand Water	11,135,456	10,720,677
Retentions	14,324,979	13,813,667
Trade payables	11,886,193	14,770,439
	<u>221,585,738</u>	<u>214,192,180</u>
15. VAT payable		
Value added tax payable	<u>6,234,447</u>	<u>10,915,968</u>
16. Consumer deposits		
Water and electricity	<u>19,459,196</u>	<u>18,026,993</u>
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Co-operative Governance and Traditional Affairs	704,984	704,984
Department of Energy	1,442,951	-
Extended Public Works Programme	-	49,334
Municipal Infrastructure Grant	5,356,759	-
Water Demand Management	79,057	79,057
	<u>7,583,751</u>	<u>833,375</u>
Movement during the year		
Balance at the beginning of the year	833,375	1,326,620
Additions during the year	216,392,751	202,400,113
Income recognition during the year	(209,642,375)	(202,893,358)
	<u>7,583,751</u>	<u>833,375</u>
See note 25 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
18. Long term loan		
Development Bank of Southern Africa Limited - Non-current portion	<u>3,136,825</u>	<u>4,516,517</u>
Development Bank of Southern Africa Limited - Current portion	<u>1,379,692</u>	<u>1,267,234</u>
Terms and conditions		
The original loan amount approved was R 19 000 000 but only R 9 000 000 was disbursed in 2012/2013 financial year.		
The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be 10.67% on arrear amounts.		
The interest and capital repayment is made every 6 months in 14 equal instalments of R 871 356 over 7 years.		
The loan is unsecured but the application of the loan is conditional to specific projects.		

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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19. Employee benefit obligations

Defined benefit plan

Reconciliation of employee benefits obligation - 2017

	Opening Balance	Additions	Total
Employee benefit cost medical	25,140,278	2,153,299	27,293,577
Employee benefits long service awards	14,013,556	(714,089)	13,299,467
	39,153,834	1,439,210	40,593,044

Reconciliation of employee benefits obligation - 2016

	Opening Balance	Additions	Total
Employee benefit cost medical	25,989,436	(849,158)	25,140,278
Employee benefits long service awards	15,537,619	(1,524,063)	14,013,556
	41,527,055	(2,373,221)	39,153,834

Employee benefit cost obligation

Post Employment Health Care Benefits

Balance at beginning of year	25,140,278	25,989,436
Current-service cost	456,192	467,711
Interest cost	2,214,237	2,227,127
Actuarial (gain) / loss	810,178	(2,218,536)
Employer benefit payments	(1,327,308)	(1,325,460)
	27,293,577	25,140,278

Continued Medical aid membership

Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
19. Employee benefit obligations (continued)		
Accrued liability		
Category of member		
In-service members	9,315,745	10,562,509
Continuation members	17,977,832	14,577,769
All members		
Total liability	27,293,577	25,140,278
Value of asset	-	-
	27,293,577	25,140,278

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets

Present value of accrued liability	27,293,577	25,140,278
Fair value of plan asset	-	-
	27,293,577	25,140,278

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

History of experience adjustments: Gains and losses

Experience adjustment

Liabilities: (gain) / loss	810,178	(2,218,536)
Assets: gain / (loss)	-	-
	810,178	(2,218,536)

Best estimate of benefits payments expected in next annual period 2017/2018 (comparatives are for 2016/2017)

Opening accrued liability	27,293,577	25,140,278
Current service cost	399,902	456,192
Interest cost	2,446,487	2,214,237
Benefit vestings	(1,702,970)	(1,327,308)
Total annual expense	-	-
	28,436,996	26,483,399

History of liabilities and assets (R millions)

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued liability	30.414	24.076	25.989	25.140	27.294

Key financial assumptions

The table summarises the financial assumption used.

Discount rates	9.25 %	9.04 %
Health care cost inflation rate	7.58 %	8.14 %
Net effective discount rate	1.55 %	0.83 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R			
19. Employee benefit obligations (continued)					
The next contribution rate increase is assumed to occur at 1 January 2018.					
Average retirement age	65				
Continuation of membership at retirement	70%				
Proportion assumed married at retirement	70%				
Mortality during employment	SA 85-90				
Mortality post-retirement	PA 90-1 ultimate				
Withdrawal from service (sample annual rates)	Age	Females			
	20	24%			
	30	18%			
	40	10%			
	50	4%			
	>55	2%			
	Males	16%			
		12%			
		8%			
		4%			
		2%			
Number of in service members	48				
Number of pensioners	42				
Summarised results of the sensitivity analysis.					
Sensitivity analysis on the accrued liability (R Millions)					
Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		9.316	17.978	27.294	
Health care inflation	1%	9.783	18.601	28.384	4
	-1%	8.539	17.169	25.708	(6)
Post-retirement mortality	-1 yr	7.919	16.621	24.539	(10)
Average retirement age	-1 yr	11.070	19.548	30.618	12
Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.					
The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 4% higher than that shown.					
Long term service awards					
Balance at beginning of year				14,013,556	15,537,619
Current-service cost				1,813,650	1,489,958
Interest cost				1,126,312	1,146,306
Actuarial (gain) / loss				(2,230,149)	(1,966,620)
Employer benefit payments				(1,423,902)	(2,193,707)
				13,299,467	14,013,556
Employer benefit payments					
Value of long-service awards				13,086,284	13,775,349
Retirement gifts				213,183	238,207
				13,299,467	14,013,556

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
19. Employee benefit obligations (continued)		
Best estimate of benefits payments expected in next annual period 2017/2018 (comparatives are for 2016/2017)		
Opening accrued liability	13,299,467	14,013,556
Current service cost	1,687,032	1,813,650
Interest cost	1,037,468	1,126,312
Benefit vesting	(1,873,106)	(1,423,902)
Total annual expenses	-	-
	14,150,861	15,529,616

Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	209	506	715
Average annual salary	188 591	175 532	179 349
Salary-weighted average age	44.5	45.4	45.2
Salary-weighted average past service	10.8	8.4	9.1

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	4.0%	$(5/250 + 2\%) \times$ annual salary
10	7.0%	$(10/250 + 3\%) \times$ annual salary
15	10.0%	$(15/250 + 4\%) \times$ annual salary
20	11.0%	$(15/250 + 5\%) \times$ annual salary
25,30,35,40,45	12.0%	$(15/250 + 6\%) \times$ annual salary

733 Employees benefit from this policy

Special leave pay

44 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

84 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Key Financial assumptions

The table summarised the financial assumptions used.

Discount rates	8.38 %	8.46 %
General Salary Inflation (long term)	6.20 %	7.12 %
Net effective discount rate	2.05 %	1.25 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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19. Employee benefit obligations (continued)

The salaries used in the valuation include an assumed increase on 1 July 2016 of 7.12%.
The next salary increase was assumed to take place in July 2017.

Average retirement age	65		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	>55	2%	2%

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Liability	% change
Central assumptions		13.299	
General salary inflation	+1%	14.101	6%
	-1%	12.573	-5%
Average retirement age	-2 yrs	12.088	-9%
	+2 yrs	14.417	8%
Withdrawal rates	-50%	15.231	54%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than that shown.

History of liabilities and assets

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued Liability	15 099 497	15 818 226	15 537 619	14 013 556	13 299 467

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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20. Landfill closure provision

Reconciliation of landfill closure provision - 2017

	Opening Balance	Reduction due to re- measurement	Total
Environmental rehabilitation	49,618,678	(17,767,740)	31,850,938

Reconciliation of landfill closure provision - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	44,894,029	4,724,649	49,618,678

Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Mrs Sandra Mutangadura from One Pangaea Financial CC. Mrs Mutangadura is a professional engineer and a member of the South African Institute of Civil Engineers (SAICE).

Key financial assumptions used in this calculation were as follows:

Assumption	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
CPI	6.12%	6.12%	6.12%
Discount rate	9.42%	9.42%	9.42%
Net effective discount rate	3.11%	3.11%	3.11%

The 2017 amount of the discounted landfill closure provision of R31 884 642 represents a decrease of R17 767 740 over the provision of R49 618 678 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs.

The 2017 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2017. The size of the landfill sites used up until now and estimate remaining useful lives are as follows:

	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate size used until 30 June 2017	15.135 ha	1.273 ha	5.112 ha
Remaining useful lives	3 years	16 years	8 years

Metsimaholo Local Municipality

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	2017 R	2016 R
21. Service charges		
Sale of electricity	243,228,190	208,625,631
Sale of water	230,445,408	258,841,883
Sewerage and sanitation charges	22,055,895	19,713,892
Refuse removal	28,376,375	25,954,706
	524,105,868	513,136,112
Forgone income (free portion)		
Electricity	(6,374,068)	(4,305,657)
Sewerage and sanitation	(7,983,760)	(7,418,032)
Refuse removal	(9,638,097)	(8,930,777)
Water	(25,349,662)	(10,823,581)
	(49,345,587)	(31,478,047)
22. Other income		
Billboards	376,759	446,376
Building plan fees	243,703	228,625
Cemetery fees	485,018	501,811
Clearance certificates	324,135	243,021
Entrance fees	1,022,961	1,183,310
Fire services rendered	449,307	420,626
Lost library books	1,518	2,037
Photo copies	19	106,368
Private telephone calls	238,077	241,223
Sundry income	3,953,536	386,894
Tender documents sold	180,419	720,597
	7,275,452	4,480,888
23. Investment revenue		
Dividend revenue		
Dividends	98,858	96,022
Interest revenue		
Interest received	2,107,597	2,701,815
	2,206,455	2,797,837
24. Property rates		
Rates revenue		
Commercial	10,547,254	9,588,561
Heavy Industries	31,782,029	24,571,219
Residential	82,358,569	76,654,710
Small holdings and farms	10,123,827	9,402,652
State	11,015,323	10,114,060
Less: Income forgone	(16,846,733)	(15,885,707)
	128,980,269	114,445,495

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
24. Property rates (continued)		
Valuations		
5 year: Tax Holiday	35,763	49,237
Churches	108,010	108,325
Commercial	912,839	911,515
Heavy/light industries	937,635	918,276
Municipal	437,691	438,089
Public Benefit Organisation/Service Infrastructure	51,834	51,088
Residential	8,044,044	7,971,142
Small holdings and farms	2,974,530	2,971,355
State	687,996	685,716
Allocated, unregistered stands	228,696	257,350
	14,419,038	14,362,093

Valuations on land and buildings are performed every four 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.

Rebates up to R35 000 (2016: R35 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment.

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church
- Road reserves
- Railway reserves

Tariff structure (cents per Rand)

Business	0.01590	0.01473
Industries	0.03978	0.03684
Residential	0.00794	0.00736
State-owned property	0.01590	0.01473
Farmland		
Residential	0.00397	0.00368
Business	0.00794	0.00736
Industries	0.01993	0.01845
Private owned towns, Body Corporate, Sectional Titles	0.00397	0.00368
Mining	0.01992	0.01845
Agricultural	0.00199	0.00185

25. Government grants and subsidies

Operating grants

Energy Efficiency and Demand Side Management Grant	-	3,000,000
Equitable Share	125,968,334	115,423,000
Expanded Public Works Programme Intergrated Grant	1,060,000	970,666
Financial Management Grant	1,625,000	1,600,000
Contribution COGTA	2,000,000	-
Municipal Systems Improvement Grant	-	930,000
Sector Education Training Authority Grant	516,899	986,976
	131,170,233	122,910,642

Capital grants

Department of Energy Grant	16,956,125	29,000,084
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Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Department of Water Affairs Grant	9,249,776	7,429,632
Housing Development Agency	-	340,000
Municipal Infrastructure Grant	52,266,241	43,213,000
	<u>78,472,142</u>	<u>79,982,716</u>
	<u>209,642,375</u>	<u>202,893,358</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	81,674,041	87,470,358
Unconditional grants received	125,968,334	115,423,000
	<u>207,642,375</u>	<u>202,893,358</u>

Equitable Share

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

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate 6kl water, and basic sewer per month to all households. Indigent households are allocated an additional 4kl of water (only in 2015/2016), 50 kWh of electricity, additional sewer, refuse, and R50 per month on Rates.

Municipal System Improvement Grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	<u>-</u>	<u>-</u>

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

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

Financial Management Grant

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	<u>-</u>	<u>-</u>

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

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Expanded Public Works Programme Integrated Grant		
Balance unspent at beginning of year	49,334	-
Current-year receipts	1,060,000	1,020,000
Conditions met - transferred to revenue	(1,060,000)	(970,666)
Funds withheld by National Treasury	(49,334)	-
Unspent at year end	<u>-</u>	<u>(49,334)</u>
	<u>-</u>	<u>-</u>

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

Appointment of workers on the Extended Public Works Program. The workers continue in July 2016 and were paid with the unspent remaining grant of 30 June 2016.

Municipal Infrastructure Grant

Current-year receipts	57,623,000	43,213,000
Conditions met - transferred to revenue	(52,266,241)	(43,213,000)
	<u>5,356,759</u>	<u>-</u>

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

Funds received for installation of infrastructure.

Department of Water Affairs Grant

Balance unspent at beginning of year	-	10,230
Current-year receipts	9,249,776	3,500,000
Conditions met - transferred to revenue	(9,249,776)	(3,510,230)
	<u>-</u>	<u>-</u>

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

The municipality received funds from the Department of Water Affairs for water purification.

Department of Energy Grant

Balance unspent at beginning of year	-	84
Current-year receipts	18,399,076	29,000,000
Conditions met - transferred to revenue	(16,956,125)	(29,000,084)
	<u>1,442,951</u>	<u>-</u>

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

Installation of electricity network and connections, Amelia, in the municipality's area, financed by the Department of Energy.

Department of Co operative and Traditional Affairs

Balance unspent at beginning of year	<u>704,984</u>	<u>704,984</u>
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Conditions still to be met - remain liabilities (see note 17).

Funds received for the installation of infrastructure.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Department of Co-operative Government and Traditional Affairs		
Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	<u>-</u>	<u>-</u>
Grant from COGTA to pay a consultant that assisted the municipality.		
Sector Education Training Authority Grant		
Balance unspent at beginning of year	-	611,322
Current-year receipts	516,899	375,654
Conditions met - transferred to revenue	(516,899)	(986,976)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).		
The municipality received funds from Sector Education Training Authority for excellence performance by human resources division. The funds must be utilised towards training. In the previous year the process in appointing service providers to provide training was delayed.		
Housing Development Agency		
Current-year receipts	-	340,000
Conditions met - transferred to revenue	-	(340,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).		
Land was purchased and transferred into the name of the municipality in 2016 by the Housing Development Agency. The land is earmarked for the development of mainly residential stands.		
Water Demand Management (Free State Province)		
Balance unspent at beginning of year	79,057	-
Current-year receipts	-	3,998,459
Conditions met - transferred to revenue	-	(3,919,402)
	<u>79,057</u>	<u>79,057</u>
Conditions still to be met - remain liabilities (see note 17).		
Grant from Free State Province to assist with water demand management.		
Energy Efficiency and Demand Side Grant		
Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	-	(3,000,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).		
Grant from National Treasury to assist with electricity maintenance.		

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
26. Public contributions and donations		
Department of Sport, Arts and Culture (Library) Rejuvenation Public contributions and donations	1,750,750 6,081,666 2,582,537	2,000,000 14,727,779 2,015
	10,414,953	16,729,794
Reconciliation of conditional contributions		
Current-year receipts Conditions met - transferred to revenue	10,414,953 (10,414,953)	16,729,794 (16,729,794)
	-	-

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

The funds transferred to current year were received from the Provincial Department of Sport, Arts and Culture for the payment of salaries for library staff. The following were donated in the 2016/2017 financial year: Computers were donated by SASOL to Financial Services (R 88 175). Two mobile maintenance units were donated by SASOL to Technical Services (R 1 413 271). A new financial system was sponsored by SASOL (R 4 974 855). A creche in Refengkgotso was donated by Mission Point Trading 41 Pty (Ltd) and S.Bothma & son transport Pty (Ltd) (R2 187 901).

The following were donated in the 2015/2016 financial year: A printer was donated by Millennium Pumps Pty (Ltd) to Technical Services (R1 314). Electrical network installed in Chem City (R 8 104 389) and Naledi (R 5 071 957) by SASOL Rejuvenation. Electricity installed in Zamdela Extension 17 (R 1 551 434) by MDV Developments. Land to the value of R 700 donated by private developers.

27. Employee related costs

Basic	140,394,437	134,760,764
13th Cheques and other bonuses	11,268,350	10,021,761
Contribution post retirement	1,343,121	1,369,378
Defined contribution plans	23,253,762	22,784,069
Group Insurance	216,260	199,941
Housing benefits and allowances	1,095,215	974,329
Industrial council levy contributions	70,395	56,724
Leave pay accrual	2,506,604	1,497,640
Leave pay provision	1,860,491	2,991,946
Long-service awards	1,516,060	442,557
Medical aid - company contributions	16,027,543	13,855,637
Overtime payments	15,032,871	13,038,301
Standby allowance	3,046,334	2,449,676
Transport allowance	15,040,854	16,070,510
UIF	1,262,218	1,171,950
Other	1,027,556	2,400
	234,962,071	221,687,583

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
27. Employee related costs (continued)		
Remuneration of S M Molala - Municipal Manager		
Annual remuneration	1,674,635	1,579,846
Car allowance	240,000	240,000
Performance bonuses	-	80,130
Contributions to UIF, medical and pension funds	1,785	-
Travel, motor car, accommodations, subsistence and other allowances	2,396	3,679
Telephone allowance	36,000	36,000
	<u>1,954,816</u>	<u>1,939,655</u>
Remuneration of A Lambat - Chief Financial Officer		
Annual remuneration	1,781,362	1,680,531
Car allowance	24,000	24,000
Performance bonuses	-	68,926
Contributions to UIF, medical and pension funds	1,785	-
Travel, motor car, accommodations, subsistence and other allowances	8,482	4,897
Telephone allowance	30,000	30,000
	<u>1,845,629</u>	<u>1,808,354</u>
Remuneration of I S Mokgatle - Director Technical Service and Infrastructural Services		
Annual remuneration	1,049,149	989,763
Car allowance	409,290	409,291
Contributions to UIF, medical and pension funds	1,785	-
Telephone allowance	30,000	30,000
	<u>1,490,224</u>	<u>1,429,054</u>
Remuneration of M L M Maseola - Director Organisational Development and Corporate Services		
Annual remuneration	1,289,402	1,216,417
Car allowance	120,000	120,000
Performance bonuses	-	64,104
Contributions to UIF, medical and pension funds	1,785	-
Housing subsidy	120,000	120,000
Telephone allowance	30,000	30,000
Other	-	5,614
	<u>1,561,187</u>	<u>1,556,135</u>
Remuneration of S J Lempe - Director Social Services		
Annual remuneration	1,206,064	1,137,797
Car allowance	190,000	190,000
Performance bonuses	-	64,104
Contributions to UIF, medical and pension funds	1,785	-
Housing subsidy	120,000	120,000
Transport claims	2,702	335
Telephone allowance	30,000	30,000
Acting allowance as Municipal Manager	13,870	19,450
	<u>1,564,421</u>	<u>1,561,686</u>

Metsimaholo Local Municipality

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	2017 R	2016 R
27. Employee related costs (continued)		
Remuneration of S J Monyaki - Director Economic Development		
Annual remuneration	1,138,012	1,073,597
Car allowance	270,000	270,000
Performance Bonuses	-	64,104
Contributions to UIF, medical and pension funds	1,785	-
Housing subsidy	100,000	100,000
Transport claims	8,766	3,166
Telephone allowance	30,000	30,000
Acting allowance as Municipal Manager	53,662	24,300
	1,602,225	1,565,167
Total Employee related cost	244,980,573	231,547,634

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Metsimaholo Local Municipality

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	2017 R	2016 R
28. Remuneration of Councillors		
Executive Mayor	793,561	807,929
Council Whip	596,338	570,843
Mayoral Committee Members	4,758,856	4,889,311
Speaker	640,449	650,514
Councillors	8,967,929	8,328,336
	15,757,133	15,246,933

Remuneration per councillor

Executive Mayor

Mahlaku BT (till 9 August 2016)	87,569	807,929
Hlasa R S (since 22 August 2016)	705,992	-

Council Whip

Soetsang TL (Till 31 October 2015)	-	205,146
Makhoba KJ (Council Whip from 25 November 2015)	65,806	365,696
Radebe LW (Council Whip since 22 August 2016)	530,532	-

Mayoral Committee Members

Khonto MW (till 9 August 2016)	65,806	611,164
Kubheka NJ (till 9 August 2016)	65,806	611,164
Mabasa KT (till 9 August 2016 and 23 February 2017 to 30 June 2017)	279,981	611,164
Mabefu RJ (till 9 August 2016)	65,806	611,164
Makhoba KJ (Council Whip from 25 November 2015)	-	245,467
Radebe AN (till 9 August 2016)	65,806	611,164
Semonyo LS (till 9 August 2016)	65,806	611,164
Tshongwe SL (till 9 August 2016)	65,806	611,164
Mtshali NM (MAYCO member 25 November 2015 till 9 August 2016 and 4 March 2017 to 30 June 2017)	265,675	365,696
Mofokeng TH (22 August 2016 to 22 February 2017)	314,314	-
Mothibe MB (22 August 2016 to 22 February 2017)	314,314	-
Mohapi P (22 August 2016 to 22 February 2017)	314,314	-
Gaigher L (22 August 2016 to 22 February 2017)	314,314	-
Motlhale SM (22 August 2016 to 22 February 2017)	314,314	-
Grobbelaar JJ (22 August 2016 to 22 February 2017)	314,314	-
Mthembu S (22 August 2016 to 30 June 2017)	530,532	-
Burger GS (from 10 August 2016 MAYCO member 22 August 2016 to 3 March 2017)	331,072	-
Mosia TE (23 February 2017 to 30 June 2017)	214,175	-
Mosokweni F (23 February 2017 to 30 June 2017)	214,175	-
Fisher L 23 February 2017 to 30 June 2017)	214,175	-
Mokoena NP (23 February 2017 to 30 June 2017)	214,175	-
Radebe TL (23 February 2017 to 30 June 2017)	214,175	-

Speaker

Matena SZ (Speaker till 9 August 2016)	70,673	650,515
Du Plooy (Speaker since 22 August 2016)	569,776	-

Councillors

Chebase LR (till 9 August 2016)	28,881	255,306
Coetzer FC (till 9 August 2016)	28,881	258,104
Du Plessis J (till 9 August 2016)	28,881	258,104
Du Toit T	270,331	258,104
Geyser JJ	270,331	258,104
Grobbelaar JJ (MAYCO member 22 August 2016 to 22 February 2017)	131,488	258,104
Khonto MW (MAYCO member till 9 August 2016 resigned as Councillor 8 December 2016)	89,871	-
Kubheka NJ (MAYCO member Committee till 9 August 2016)	241,450	-
Khunou SB (till 9 August 2016)	28,881	258,104
Lelahla JM (till 9 August 2016)	28,881	258,104

Metsimaholo Local Municipality

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	2017 R	2016 R
28. Remuneration of Councillors (continued)		
Mabasa KT (MAYCO member till 9 August 2016 and from 23 February 2017 to 30 June 2017)	146,556	-
Machafa MF (till 9 August 2016)	28,881	258,104
Mahlangu PJ (till 9 August 2016)	28,881	258,104
Mare AK	270,331	258,104
Maseko VJ (till 9 August 2016)	28,881	258,104
Mdola NL (till 9 August 2016)	28,881	258,104
Nnune MS	270,331	258,104
Mofokeng SS (till 9 August 2016)	28,881	258,104
Mofokeng TJ (till 9 August 2016)	28,881	258,104
Mokoena DE (till 9 August 2016)	28,881	258,104
Moolman HJ (till 9 August 2016)	28,881	258,104
Moreki S (till 9 August 2016)	28,881	258,104
Mosia MM (till 9 August 2016)	28,881	258,104
Mosia TE (Chairperson MPAC till 9 August 2016 and MAYCO member from 23 February 2017 to 30 June 2017)	210,503	571,810
Mtshali NM (MAYCO member 25 November 2015 till 9 August 2016 and from 4 March 2017 to 30 June 2017)	154,987	103,665
Nthebe MD (till 9 August 2016)	28,881	258,104
Ntoane MG (till 9 August 2016)	28,881	258,104
Oswald DM (till 9 August 2016)	28,881	258,104
Poho MS (till 9 August 2016)	28,881	258,104
Rampala AM (till 9 August 2016)	28,881	258,104
Sejaki MN (till 9 August 2016)	28,881	258,104
Soetsang TL (Council Whip till 31 October 2015; (till 9 August 2016)	28,881	170,643
Tamane MA (till 9 August 2016)	28,881	258,104
Van der Walt MC (till 9 August 2016)	28,881	258,104
Viljoen JD	270,331	258,104
Mahlaku BT (Executive Mayor till 3 August 2017)	241,450	-
Hlasa R S (Executive Mayor since 22 August 2016)	8,610	-
Radebe LW (Council Whip since 22 August 2016)	8,610	-
Matena SZ (Speaker till 3 August 2016)	241,450	-
Du Plooy (Speaker since 22 August 2016)	8,610	-
Burger GS (from 10 August 2016 MAYCO member 22 August 2016 to 3 March 2017)	97,405	-
Dywili NN (from 10 August 2016)	241,450	-
Fisher L (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-
Gaigher L (from 10 August 2016 and MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Gouws EJ (from 10 August 2016)	241,450	-
Kobo SS (from 10 August 2016)	241,450	-
Madia RM (from 10 August 2016)	241,450	-
Majadibodu KC (from 10 August 2016)	241,450	-
Makhata L (from 10 August 2016)	241,450	-
Makhefu L (from 1 February 2017)	112,115	-
Mofokeng D (from 10 August 2016)	241,450	-
Mokoena MP (from 10 August 2016)	241,450	-
Mokoena NP (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-
Mohapi P (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Molawa M (from 10 August 2016)	241,450	-
Motaung TA (from 10 August 2016) MPAC chairperson from 28 September 2016	491,654	-
Mofokeng TH (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Mosokweni F (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
28. Remuneration of Councillors (continued)		
Motlhale SM (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Mothibe MB (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017 ;Resigned February 2017)	8,610	-
Motjeane S (from 10 August 2016) Ethics chairperson from 28 September 2016)	491,654	-
Mthembu S (from 10 August 2016 MAYCO member 22 August 2016 to 30 June 2017)	8,610	-
November N (from 10 August 2016)	241,450	-
Nteso SJ (from 10 August 2016)	241,450	-
Radebe TL (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-
Telane MM (from 10 August 2016)	241,450	-
Tsotetsi L (from 10 August 2016)	241,450	-
Zwane ZJ (from 23 February 2017)	93,996	-
	15,757,133	15,246,933
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.		
29. Depreciation and amortisation		
Intangible assets	121,196	127,551
Investment property	24,950	25,791
Property, plant and equipment	39,190,098	42,777,074
	39,336,244	42,930,416
30. Finance costs		
Finance leases	1,243,172	43,910
Current borrowings	475,475	579,416
Other interest paid	1,456,772	368,041
	3,175,419	991,367
31. Debt impairment		
Contributions to debt impairment provision	140,049,611	127,167,185
Receivables from exchange transactions	119,384,074	91,916,543
Receivables from non-exchange transactions	20,665,537	35,799,878
	140,049,611	127,716,421
32. Bulk purchases		
Electricity	202,158,748	187,906,291
Water	122,703,126	129,932,071
	324,861,874	317,838,362

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

				2017 R	2016 R
32. Bulk purchases (continued)					
2017	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	203,883,464	212,558,246	(8,674,782)	(4)%	6,741,619
Water	13,352,412	18,188,555	(4,836,143)	(27)%	36,578,138
	217,235,876	230,746,801	(13,510,925)		43,319,757
2016	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	207,819,924	215,018,959	(7,199,035)	(3)%	5,597,825
Water	16,926,683	20,197,587	(3,270,901)	(16)%	22,108,523
	224,746,607	235,216,546	(10,469,936)		27,706,348

Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;
- Illegal connections and theft.
- Supply to informal areas that have not yet been formalised.

33. Contracted services

Specialist services	14,220,430	14,291,285
Other Contractors	17,163,609	16,684,891
	31,384,039	30,976,176
Specialist services		
Security services	14,220,430	14,291,285
Other Contractors		
Cash security	354,258	336,834
Cleaning services	2,631,265	2,198,364
Delivery of summonses/traffic fines	1,501,971	1,777,436
Disconnection and re-connection of services	1,309,619	531,190
Easy pay commission	914,246	668,968
Electricity pre-paid service	7,573,791	7,197,983
Printing services	2,878,459	3,974,116
	17,163,609	16,684,891

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
34. General expenses		
Advertising	821,794	896,179
Auditors remuneration	6,326,106	4,741,151
Bank charges	466,655	339,111
Bursaries	185,239	2,610,763
Cleaning	304,223	159,715
Computer expenses	5,035,014	4,673,736
Conferences and seminars	860,920	1,163,943
Connection charges	1,116,928	92,157
Consulting and professional fees	16,188,767	19,105,503
Entertainment	135,840	355,975
Fuel and oil	5,665,167	5,687,522
Insurance	2,437,481	1,764,831
Magazines, books and periodicals	40,308	27,090
Marketing	66,000	476,370
Medical expenses	73,350	53,223
Other expenses	599,838	1,365,819
Pest control	43,244	22,518
Postage and courier	1,667,763	1,708,987
Printing and stationery	519,507	672,992
Promotions	7,660	9,974
Public programmes	886,544	4,075,163
Rental of equipment	5,930,446	5,602,428
Royalties and license fees	379,801	361,693
Seed, trees, shrubs and topdressing	-	1,171
Sewer treatment	16,800,035	14,963,955
Skill Development Levy	2,001,366	1,895,793
Stocks and materials	1,103,617	3,963,886
Subscriptions and membership fees	2,365,318	2,325,868
Telephone	2,254,651	2,112,886
Title deed search fees and valuation cost	111,884	250,442
Training	1,456,180	1,392,475
Training LG SETA	-	111,924
Travel - local	706,556	1,246,774
Uniforms	1,228,637	921,752
	77,786,839	85,153,769

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
35. Cash generated from operations		
Surplus	61,756,862	36,078,173
Adjustments for:		
Depreciation and amortisation	39,336,244	42,930,416
Loss/(gain) on sale of inventory	19,020	(409,049)
Fair value adjustment on stands	-	(6,491,043)
Loss/(gain) on inventory stands	471,000	-
Fair value adjustments	(1,419,971)	(4,185,156)
Loss on the write off/transfer of property, plant and equipment	1,190,807	231,524
Fair value shares	(204,724)	275,732
Housing Development Agency - land	-	(340,000)
PPE and intangible assets donated	(8,664,203)	(14,730,494)
Debt impairment	140,049,611	127,167,185
Movements in operating lease assets and accruals	456,244	683,858
Movements in retirement benefit assets and liabilities	2,859,181	1,811,935
Movements in land fill closure provisions	(17,767,740)	4,724,649
Current leave and bonus accrual	10,767,579	2,991,947
Changes in working capital:		
Inventories	(232,437)	(27,401)
Receivables from non - exchange transactions	(35,112,708)	(36,219,574)
Receivables from exchange transactions	(113,675,644)	(114,249,540)
Payables from exchange transactions	(3,374,019)	30,248,235
VAT	(4,681,521)	5,486,411
Unspent conditional grants and receipts	6,750,376	(493,245)
Consumer deposits	1,432,203	1,781,137
	79,956,160	77,265,700

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	2,987,863	-	2,987,863
Other financial assets - Investment	-	30,641	30,641
Receivables from non - exchange transactions	-	77,930,642	77,930,642
Receivables from non - exchange transactions	-	142,215,392	142,215,392
Cash and cash equivalents	-	12,627,595	12,627,595
	2,987,863	232,804,270	235,792,133

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2,727,836	2,727,836
Payables from exchange transactions	221,585,738	221,585,738
Consumer deposits	19,459,196	19,459,196
Unspent conditional grants	7,583,751	7,583,751
Short term portion - long term loan	1,379,692	1,379,692
Long term loan	3,136,825	3,136,825
	255,873,038	255,873,038

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R	
Financial instruments disclosure (continued)			
2016			
Financial assets			
	At fair value	At amortised cost	Total
Receivables from non - exchange transactions	-	63,483,471	63,483,471
Receivables from non - exchange transactions	-	147,923,826	147,923,826
Cash and cash equivalents	-	15,178,853	15,178,853
Other financial assets	2,783,139	-	2,783,139
Other financial assets - Unit Trust	1,303,696	-	1,303,696
Other financial assets - Investment	-	30,641	30,641
	4,086,835	226,616,791	230,703,626
Financial liabilities			
		At amortised cost	Total
Payables from exchange transactions		214,192,180	214,192,180
Short term portion - long term loan		1,267,234	1,267,234
Long term loan		4,516,517	4,516,517
Consumer deposits		18,026,993	18,026,993
Unspent conditional grant		833,375	833,375
Finance lease obligation		9,230,215	9,230,215
		248,066,514	248,066,514
37. Commitments			
Authorised capital expenditure			
Already contracted for but not provided for			
• Property, plant and equipment		176,811,123	95,240,654
Total capital commitments		176,811,123	95,240,654
Authorised operational expenditure			
Already contracted for but not provided for			
• Expenditure		10,123,807	33,565,881
Total operational commitments		10,123,807	33,565,881
Total commitments			
Total commitments		176,811,123	95,240,654
Authorised capital expenditure		10,123,807	33,565,881
Authorised operational expenditure		186,934,930	128,806,535

This committed expenditure relates to contracts and will be financed by available bank facilities, accumulated surpluses, existing cash resources and funds internally generated.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
38. Contingencies		
Housing loans		
Guarantees for housing loans to employees at financial institutions	30,161	30,161
Leabea and Associates (Employee related matters)		
Roux JJ (re-instatement)	-	3,000,000
Klauman - Moller (re-instatement)	-	4,000,000
Kriel HJ (re-instatement)	-	3,000,000
Various attorneys		
Ukwazi Force CC / Metsimaholo Municipality	6,500,000	-
Nkadimeng & Mofokeng / Metsimaholo Municipality	100,000	-
Steven Murray & Associates	41,034	-
SAMRO NPC / Metsimaholo Municipality	714,957	-
Edge Forensic and Risk Consultants / Metsimaholo Municipality	1,899,704	-
J M Fusstenburg / Metsimaholo Municipality	19,680	-
A.G.A Transport Co (Pty)Ltd	45,435	-
C van Wynsgaard/Metsimaholo Municipality	9,124	-
Ndobela Attorneys		
Labour Matters	-	180,000
Metsimaholo Municipality / Human CW	-	44,474
Heading		
Mkwanazi Melato Inc		
Metsimaholo Municipality / I A van der Walt	58,000	47,265
Metsimaholo Municipality / A Maredi	-	27,256
Metsimaholo Municipality / J Schoultz	58,365	58,365
Metsimaholo Municipality / S Maboe	-	190,000
Metsimaholo Municipality / Mpembe	-	44,377
Dreyer Albertus JP /Metsimaholo Municipality	5,713,000	-
Metsimaholo Municipality / Mohlakane	-	57,816
Metsimaholo Municipality / Manoto	-	65,159
Metsimaholo Municipality / Elite Tent	-	68,578
Metsimaholo Municipality / Mbongo	-	46,950
Metsimaholo Municipality / Saaiman R	100,000	100,000
Metsimaholo Municipality / Fouche Quinton	13,930	18,000
Metsimaholo Municipality / Vaal Panelbeaters	-	35,000
Ponoane Attorneys		
L Lehani / Metsimaholo Local Municipality (settled in 2014/2015)	400,000	233,368
Erwee Andries / Metsimaholo Local Municipality	38,645	38,645
Adolff Attorneys		
Metsimaholo Municipality / Van der Vyver C	13,186	13,186
Metsimaholo Municipality / Van Zyl J	12,135	12,135
Metsimaholo Municipality / Calitz ACJ	11,182	111,182
Internal Legal Division		
Ward PD / Metsimaholo Local Municipality	-	3,686
Rhani DV / Metsimaholo Local Municipality	-	4,515
Vosloo A / Metsimaholo Local Municipality	-	1,443
Aztek Furnance and MEC SUP CC / Metsimaholo Local Municipality	-	38,399
Le Roux JM / Metsimaholo Local Municipality	18,937	18,937
Loots SJH / Metsimaholo Local Municipality	-	35,000
Trauernicht M / Metsimaholo Local Municipality	-	16,184
Mokoena L / Metsimaholo Local Municipality	-	12,639
Mokoena L / Metsimaholo Local Municipality	-	4,321
Coertze J / Metsimaholo Local Municipality	-	15,929
Pretorius IEM / Metsimaholo Local Municipality	-	2,835
Pretorius IEM / Metsimaholo Local Municipality	-	75,000
IMATU obo Van Rooyen F Labour dispute	-	75,000
	15,797,475	11,725,805

Unlicensed landfill site

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	2017 R	2016 R
38. Contingencies (continued)		
The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community		
39. Related parties		
Relationships		
Phepheng Lelahla JM	Grey Construction (Civil & Mechanical)	
Nthebe MD	Alaska One Enterprise (Pty) Ltd	
Maseko VJ	Living Fountains (Church)	
Grobbelaar JJ	In his footprints (Non-profitable Charity organisation)	
	Tuso Hunges (Non-profitable Charity organisation)	
Soetsang T L	Nyakaza Mfazi Primary co-operative limited	
Mofokeng TJ	Asazi funeral parlour	
	Asazi Inn	
Mosia TE	Soxi Electronics and IT Centre	
Mahlangu PJ	Kgutlo Thako Funeral Services	
Radebe AN	Maitshokolla Cooperative	
Makhoba KJ	Paballo Ya Bomme	
Du Plessis J	SanJohan private trust (trustee)	
Viljoen JD	Principal of Vaalpark Primary School	
Mabefu RJ	Directorship: Skyho Sands	
Mosokweni F	Sibusisiwe (Pty) (Ltd) Construction	
Molala SM	Afriscapes CC (Capacity building)	
Maseola M	Khumase CC (Construction and transport)	
	Wealthpros(General Trading)	
Monyaki SJ	Raleoa Trading cc (Tourism retail)	
	Bold Moves 198 Pty (Ltd) (Properties, tourism, retail)	
Lambat A	New Redruth Motors CC	
	Roshgold Investment Holdings Limited	
	Roshgold Technologies Limited	
	Roshgold Ventures Limited	
	Roshmeadow Properties Limited	
	Top Share Equities (Pty) Ltd	
	Directorship: Albaraka Bank Limited	
Post employment benefit plan for employees	Refer to note 19	
Members of key management	Refer to note 27	
Executive Council Members	Refer to note 28	

40. Prior period errors

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

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40. Prior period errors (continued)

Statement of financial performance	Balance as previously reported	Prior period error	Reclassified (note 42)	Total
Revenue				
Service charges	513,136,112	-	-	513,136,112
Levies refuse dump yard	825,555	-	-	825,555
Rental of facilities and equipment	4,641,920	-	-	4,641,920
Interest received - trading	16,449,002	-	-	16,449,002
Interest received - investments	2,701,815	-	-	2,701,815
Dividends	96,022	-	-	96,022
Non- payment fees	5,202,473	-	-	5,202,473
Licence and permits	159,061	-	-	159,061
Fines	18,506,723	(832,175)	-	17,674,548
Connection fees	2,338,908	-	-	2,338,908
Property rates	114,445,495	-	-	114,445,495
Government grants and subsidies	202,893,358	-	-	202,893,358
Public contributions and donations	16,729,794	-	-	16,729,794
Other income	4,480,888	-	-	4,480,888
Income legal cost	4,464,527	-	-	4,464,527
	907,071,653	(832,175)	-	906,239,478
Expenses				
Employee related cost	(230,381,663)	(1,165,971)	-	(231,547,634)
Remuneration of councillors	(15,246,933)	-	-	(15,246,933)
Depreciation and amortisation	(42,930,416)	-	-	(42,930,416)
Debt Impairment	(127,716,421)	549,236	-	(127,167,185)
Finance cost	(991,347)	(20)	-	(991,367)
Repairs and maintenance	(18,941,729)	(1,508,418)	-	(20,450,147)
Bulk purchases	(317,736,666)	(101,696)	-	(317,838,362)
Contracted services	(30,976,176)	-	-	(30,976,176)
General expenses	(91,592,672)	1,714,254	4,724,649	(85,153,769)
Operating Lease	(3,712,648)	-	-	(3,712,648)
Rehabilitation of landfill sites	-	-	(4,724,649)	(4,724,649)
	(880,226,671)	(512,615)	-	(880,739,286)
Gain/loss on disposal of assets	(1,657,070)	-	-	(1,657,070)
Fair value adjustments on stands	6,491,043	-	-	6,491,043
Actuarial gain / (loss)	4,185,156	-	-	4,185,156
Sale of stands (Loss on sale)	1,425,535	-	-	1,425,535
Gain on inventory	409,049	-	-	409,049
Fair value of listed equities	(275,732)	-	-	(275,732)
	10,577,981	-	-	10,577,981
Statement of financial position				
Current assets				
Inventory	15,318,465	-	-	15,318,465
Receivables from exchange transactions	147,954,077	(30,251)	-	147,923,826
Receivables from non-exchange transactions	64,171,138	(687,666)	-	63,483,472
Cash and cash equivalents	14,345,478	-	833,375	15,178,853
Other financial assets	4,950,851	-	(833,375)	4,117,476
	246,740,009	(717,917)	-	246,022,092

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40. Prior period errors (continued)

Non-current assets

Investment property	86,389,336	-	-	86,389,336
Property, plant and equipment	1,147,458,435	-	-	1,147,458,435
Intangible assets	317,626	-	-	317,626
Heritage assets	561,001	-	-	561,001
	1,234,726,398	-	-	1,234,726,398

Current liabilities

Operating lease liabilities	1,883,504	-	-	1,883,504
Finance lease liability	1,375,608	-	-	1,375,608
Payables from exchange transactions	214,673,543	(481,363)	-	214,192,180
VAT payable	10,915,968	-	-	10,915,968
Consumer deposits	18,026,993	-	-	18,026,993
Unspent conditional grants	833,375	-	-	833,375
Short term portion -Long term loan	1,267,234	-	-	1,267,234
	248,976,225	(481,363)	-	248,494,862

Non-current liabilities

Long term loan	4,516,517	-	-	4,516,517
Finance lease obligation	7,854,607	-	-	7,854,607
Employee benefit obligations	39,153,834	-	-	39,153,834
Landfill closure provision	49,618,678	-	-	49,618,678
	101,143,636	-	-	101,143,636

Net assets

Accumulated surplus - opening balance	1,093,923,583	1,108,235	-	1,095,031,818
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1. Expenses not accrued in prior years

Some general expenses finance cost and repairs and maintenance were incorrectly accrued in 2014/2015 and 2015/2016 years. These have been corrected and the 2014/2015 amounts restated accordingly.

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	(489,735)
Decrease in payables	-	1,129,399
Decrease in receivables from non - exchange transactions	-	(433,848)
	-	205,816

Statement of financial performance

Decrease in general expenditure	-	(1,714,254)
Increase in repairs and maintenance	-	1,508,418
Increase in finance cost	-	20
	-	(205,816)

2. Revenue unallocated in the prior years

Write off votes of sundry income prior 2014/2015 year. These have been corrected and the 2014/2015 amounts restated accordingly.

Metsimaholo Local Municipality

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40. Prior period errors (continued)

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	(670,596)
Decrease in payables from exchange transactions	-	670,596
	<u>-</u>	<u>-</u>

3. Adjustment of traffic fine and impairment for 2015/2016 year.

Traffic fines debtors were corrected in 2015/2016 financial year. These have been corrected and restated in 2015/2016 year accordingly.

Statement of financial position

Decrease in receivables from non - exchange transactions	-	(282,939)
	<u>-</u>	<u>(282,939)</u>

Statement of financial performance

Decrease of traffic fines	-	832,175
Decrease in provision for bad debts	-	(549,236)
	<u>-</u>	<u>282,939</u>

4. Adjustment of employee cost

Salaries adjustments and provision for payment to Commissioner were made for the 2015/2016 year and prior 2014/2015. These have been corrected and restated accordingly.

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	10,390
Increase in payables	-	(1,205,481)
Increase in receivables from non exchange transactions	-	29,121
	<u>-</u>	<u>(1,165,970)</u>

Statement of financial performance

Increase in employee cost	-	1,165,970
	<u>-</u>	<u>1,165,970</u>

5. Bulk purchase correction

Bulk purchase have been corrected for 2015/2016 year and prior 2014/2015 year. These have been corrected and the years have been restated accordingly.

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	11,455
Increase in payables	-	(113,150)
	<u>-</u>	<u>(101,695)</u>

Statement of financial performance

Increase in Bulk purchase	-	101,695
	<u>-</u>	<u>101,695</u>

6. Service charges adjusted

It was identified that electricity billing be adjusted in 2014/2015 financial year. These have been corrected and the 2014/2015 electricity debtor restated accordingly.

Metsimaholo Local Municipality

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40. Prior period errors (continued)

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	30,250
Decrease in receivables from exchange transactions	-	(30,250)
	<u>-</u>	<u>-</u>

7. Deviations and Irregular expenditure

Deviations were adjusted from R17 141 704 to R12 611 530 for expenditure items that were previous included incorrectly.

41. Change in estimate

Property, plant and equipment

No changes in 2016/2017 financial year that related to previous years. The useful lives of some of the assets were amended during the financial year.

The change in the estimate of the useful lives were done after investigation that found that the assets are still in good condition and can be at least used for further two years. The difference in the depreciation for the current year is R16 871 078

42. Comparative figures

Certain comparative figures have been reclassified.

Investments were re-classified from other financial assets to cash and cash equivalents.

Rehabilitation cost for landfill sites have been re-classified from general expenditure to a separate disclosure on the Statement of Performance]

The effects of the reclassification are set out in note 40.

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Other financial assets	4,950,851	(833,375)	4,117,476
Cash and cash equivalents	14,345,478	833,375	15,178,853
Total	19,296,329	-	19,296,329

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
General expenditure (Provision for rehabilitation of landfill sites)	(89,878,418)	4,724,649	(85,153,769)
Rehabilitation of landfill sites	-	(4,724,649)	(4,724,649)
Total	(89,878,418)	-	(89,878,418)

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43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	19,459,196	-	-	-
Finance lease obligation	2,727,836	-	9,637,580	-
Payables from exchange transactions	221,585,738	-	-	-
Other financial liabilities	1,379,692	-	3,136,825	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	18,026,993	-	-	-
Finance lease obligation	1,375,608	-	7,854,607	-
Other financial liabilities	1,267,234	-	4,516,517	-
Payables from exchange transactions	214,192,180	-	-	-

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2017	2016
Receivables from exchange transactions	155,586,040	147,923,826
Receivables from non-exchange transactions	73,714,833	63,483,471
Cash and cash equivalents	12,627,595	15,178,853
Other financial assets - short term	3,018,504	4,117,476

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Metsimaholo Local Municipality

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43. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

44. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had an accumulated surplus of R 1,192,866,850 (2016: R 1 131,692 151) and that the municipality's total assets exceeded its liabilities by R 1,192,866,850 (2016: R1,131,692,151). Current liabilities exceeded current assets by R 1 239 713 (2016 Current Liabilities exceed current assets by R 1 890 611).

The municipality has experienced some financial difficulties, as indicated below:

- not all suppliers were not paid within the legislative 30 days
- The gross debtors book has grown from R 839 535 116 to R 974 803 552 at June 2017. The debt impairment provision has increased for the year by R 123 396 912 compared to R98 406 721 for the previous year. This is indicative of challenges in reducing the debtors book, requiring more stringent debt collection measures.;
- The average payment level for the year was 78.9% compared to a budgeted collection level of 82
- The municipality also faced challenges in meeting the minimum maintenance of Property Plant and Equipment as prescribed by National Treasury

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the continued funding of capital expenditure through MIG, increased allocations of equitable share, including revenue enhancement and cost cutting and cost containment measures.

45. Events after the reporting date

The Executive Council of the Free State has, in terms of Section 139(4) of the Constitution dissolved the Metsimaholo Municipal Council with effect from 1 July 2017. The Administrator was appointed and has since assumed the functions of the municipal council till the new council is declared elected. It is anticipated that by-elections will be held within a period of 90 days as prescribed by section 25 of the Municipal Structures Act, 1998 unless the Independent Electoral Commission (IEC) is permitted by the Electoral Court to hold such elections outside the prescribed period.

No events took place after the reporting date.

46. Unauthorised expenditure

Opening balance	19,380,908	77,901,967
Incurring during the current year	-	19,367,544
Condoned by Council November 2015	-	(25,983,230)
Condoned by Council May 2016	-	(51,905,373)
	<u>19,380,908</u>	<u>19,380,908</u>

Nothing noted for 2016/2017 financial year.

Details of unauthorised expenditure - prior year

Financial services	-	19,367,544
Budget: R38 011 420		
Actual expenditure: R57 378 964		

Metsimaholo Local Municipality

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47. Fruitless and wasteful expenditure

Opening balance	2,890,282	12,747,980
Incurred in the current year	900,027	158,840
Written off Council meeting October 2015	-	(6,225,775)
Written off Council November 2015	-	(3,790,763)
	3,790,309	2,890,282

Analysis of expenditure

Telkom- payment of telephone accounts. Interest charged on the late payment of accounts	11,089	18,233
Sheriff Sasolburg - payment of interest	97,069	2,288
Compensation Commissioner	82,231	-
Auditor General - interest on late payment	161,554	5,932
Rand Water - interest on the late payment of water account	238,242	5
ESKOM - interest paid on the late payments of electricity accounts	285,670	121,959
Free State Provincial Government - late payment of licence fees	18,973	7,301
Standard Bank Financing - interest on late payment	4,624	-
SAICE - interest on late payment	-	361
SARS late submission of EMP501	-	1,654
SARS late submission of EMP501	-	1,107
SARS -interest on VAT	575	-
	900,027	158,840

48. Irregular expenditure

Opening balance	227,253,976	228,943,576
Add: Irregular expenditure - current year	18,302,949	25,703,162
Less: Amounts written off Council Resolution June 2016	-	(27,392,762)
Add: Restatement of 2015/2016 prior year irregular	1,697,619	-
Less: Investigated and found not to be irregular in 2015/2016	(5,582,425)	-
	241,672,119	227,253,976

Analysis of expenditure awaiting condonation per age classification

Unauthorised sole supplier	2,021,090	3,623,241
Tax clearance not submitted	1,304,727	335,119
Supplier not on the accredited prospective providers list and the listing requirements not met	256,592	165,866
Supplier did not submit declarations of interest	-	42,560
Not submitting the minimum quotations for acquiring goods and services	3,822,535	480,308
No supporting documentation (payment vouchers and/or tender documentation	2,018,954	4,657
Other	3,806,286	-
Contract / SLA expired ie exceeds three years, no valid approval for extension	1,202,766	3,456,685
Competitive bidding process not followed	1,495,141	14,728,438
Bid specifications did not specify the minimum threshold for local production and content as required by PPR9	1,621,874	2,866,288
2015/2016: Not submitting the minimum quotations for acquiring goods and services	1,248,167	-
2015/2016: No supporting documentation (payment vouchers and/or tender documentation	449,452	-
Regulation 32 Non- compliance	752,984	-
	20,000,568	25,703,162

The full extent of the current year's irregular expenditure is still in process of being determined.

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49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	2,726,900	2,300,000
Amount paid - current year	(2,726,900)	(2,300,000)
	-	-

Audit fees

Current year fee (VAT inclusive)	7,373,315	4,741,151
Amount paid - current year	(5,906,324)	(4,741,151)
	1,466,991	-

PAYE and UIF

Current year subscription / fee	38,049,143	33,626,558
Amount paid - current year	(38,049,143)	(33,626,558)
	-	-

Pension and medical aid deductions

Current year subscription / fee	60,292,927	58,741,181
Amount paid - current year	(60,292,927)	(58,741,181)
	-	-

VAT

Value added tax payable	6,234,447	10,915,968
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The nett VAT output payable and VAT input receivable is shown in note 15.

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

Councillors' arrear consumer accounts

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

30 June 2017	Outstanding more than 90 days R	Total R
Dywilli N (Acc no 108921 and 562734)	7,887	7,887
Fisher L (Acc no 554069 and 580028)	12,920	12,920
Hlasa S (Acc no 6012058)	58,116	58,116
Mohapi P (Acc no 569717)	2,220	2,220
Madia R (Acc no 570682)	500	500
Makhata L (Acc no 569911)	422	422
Mofokeng D (Acc no 536668 and 593307)	9,228	9,228
Mokoena NP (Acc no 565105 and 791179)	12,294	12,294
Molawa M (Acc no 106880 and 564125)	3,075	3,075
Motlhale S (Acc no 12921)	2,022	2,022
Mokoena MP (Acc no 553206 and 568419)	4,706	4,706
Mosokweni FD (Acc no 108066 and 830353)	28,895	28,895
Motaung TA (Acc no 537934, 574795 and 595856)	7,732	7,732
Motjeane SM (Acc no 106180 and 562151)	22,666	22,666
Mtshali NM (Acc no 562315)	30,498	30,498

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

Kobo SS (Acc no 526816 and 830352)	11,534	11,534
Nteso JR (Acc no 103104)	81,044	81,044
Radebe TL (Acc no 567293)	17,267	17,267
November N (Acc no 511459)	126,180	126,180
Telane MM (Acc no 512521 and 566245)	29,180	29,180
Tsotetsi L (Acc no 511192)	24,444	24,444
	492,830	492,830

30 June 2016

	Outstanding more than 90 days R	Total R
Chebase E (Acc no 601490)	37,428	37,428
Du Toit T (Acc no 525381)	235	235
Khunou PJ (Acc no 103351 and 575822)	2,757	2,757
Mabasa KT (Acc no 579460 and 600299)	3,486	3,486
Machaea MF (Acc no 103252 and 561530)	765	765
Mahlangu J (Acc no 612694)	120,560	120,560
Mofokeng TJ (Acc no 511539 and 579964)	51,579	51,579
Mosia MM (Acc no 555731)	6,463	6,463
Mtshali BP (Acc no 562315)	62,640	62,640
Moreki S (Acc no 526465)	58,600	58,600
Moreki S (Acc no 526465)	66,918	66,918
Sejaki PS (Acc no 565498)	20,452	20,452
Semonyo JS (Acc no 103997)	4,110	4,110
Tamane WL (Acc no 551238)	44	44
	436,037	436,037

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 Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned by the Accounting Officer.

Incident

Emergency	2,875,144	8,268,750
Exceptional/Impractical	1,259,664	3,830,345
Other	455,959	37,793
Accomodatin	721,324	-
Social crime prevention	-	101,282
Sole suppliers	1,262,157	373,360
	6,574,248	12,611,530

The full extent of the current year's deviations expenditure which could potentially result in irregular expenditure is still in the process of being determined.

50. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved by the Accounting Officer:

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51. Budget differences

Material differences between budget and actual amounts

1. Service charges - Electricity sales and refuse charges were less than the budgeted. Water restrictions contribute in lower revenue on water as well as certain areas that used water without they were billed.
 2. Non-payment fees - Less actions were taken against non-payers of services, therefore less actual revenue than budgeted for.
 3. Billboards - Collection for billboards exceed the budget.
 4. Building Plans - Collection for building plans is less than the budget due to non-submission of building plans by the community and due to economic decline.
 5. Connection Plans - Fewer consumers applied for the new connections to service network than budgeted for. The economic decline also plays a part.
 6. Property Rates - Assessment rates billed were more than budgeted due to supplementary valuation roll.
 7. Private Telephone Calls - Collection for telephone calls exceeded the budget due to better cost control.
 8. Tender deposit - Collection for tender deposit is less than the budget amount due to fewer tenders advertised.
 9. Fines - The fines allocated in terms of GRAP exceeded the budget.
 10. Interest received - Interest on investments was increased in the adjustment budget based on prevailing circumstances.
 11. Government grants and subsidies - Exceeded the budget due to increase of R15 000 000 from the Municipal Infrastructure Grant.
 12. Income legal cost - Less actions were taken against consumers than anticipated with the budget.
 13. Licences and permits - The money collected on licences and street trading was less than the budget.
 14. Finance cost - Interest on overdue accounts were not budgeted for.
 15. Lease rental on operating lease - Government Garage expenditure.
 16. Sewer treatment charges - Charges were lower than anticipated.
 17. The contribution for employee benefits was than anticipated and does not exceed the budget.
 18. The councillors' actual expenditure lower than the budget as all councillors did not receive a general increase.
 19. Computer services did not exceed the budget.
 20. Commission of electricity sales exceeded the budget as more consumers converted to pre-paid electricity meters and various levels of consumption.
 21. Provision for impairment exceeded the budget as the non-payment of consumers and fines increased.
 22. Donations were made by the public for infrastructure that was not part of the budget.
 23. Assets from insurance were not budgeted for.
 24. Depreciation is R32 million less that the budget due to capital projects/items not finalised or implemented. The life span on certain assets were also extended.
 25. Water purchased lower than budgeted due to a refund from Rand Water.
 26. Contracted service - less was spent than budgeted, such as collection from Easy Pay and traffic camera fines.
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Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

51. Budget differences (continued)

27. Dividends on shares were not budgeted for.

28. Interest income - consumers exceeded the budget as the non-payment for services increased.

29. Repairs and maintenance are less than the budget amount due to cash constrains.

52. Sale of Stands

Gain or loss on sale of stands asset	294,457	1,425,535
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53. Auditors' remuneration

Fees	6,326,106	4,741,151
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54. Repairs and maintenance

Contracted services/materials

Roads and stormwater	3,353,374	6,977,615
Sewer network and pumpstations	4,492,552	3,845,516
Water network	217,384	2,642,798
Electricity network and substations	5,865,343	2,960,323
Buildings and sites	399,672	1,110,091
Equipment	621,782	794,122
Vehicles	3,179,132	2,119,682

18,129,23	20,450,14
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General expenditure: stocks and materials

Electricity section	39,990	2,646,723
Vehicle maintenance section	13,341	3,306
Roads and storm water section	89,483	141,813
Buiding maintenance section	26,556	50,616
Sewer maintenace section	99,104	71,252
Water maintenance section	370,460	327,745

18,768,173	23,691,602
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55. Other revenue

Levies dumpyard	626,620	825,555
Connection fees	3,167,363	2,338,908
Sundry income	7,275,452	4,480,888
Legal cost	3,593,305	4,464,527

14,662,740	12,109,878
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Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

56. Revenue

Service charges	524,105,868	513,136,112
Rental of facilities and equipment	6,068,776	4,641,920
Interest received (trading)	25,071,512	16,449,002
Non-payment fees	5,601,620	5,202,473
Licences and permits	116,954	159,061
Fines	17,272,057	17,674,548
Levies - refuse dump yard	626,620	825,555
Connection fees	3,167,363	2,338,908
Other income	7,275,452	4,480,888
Income legal cost	3,593,305	4,464,527
Interest received - investment	2,107,597	2,701,815
Dividends received	98,858	96,022
Property rates	128,980,269	114,445,495
Government grants & subsidies	209,642,375	202,893,358
Public contributions and donations	10,414,953	16,729,794
	944,143,579	906,239,478

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

Service charges	524,105,868	513,136,112
Rental of facilities and equipment	6,068,776	4,641,920
Interest received - consumers	25,071,512	16,449,002
Non-payment fees	5,601,620	5,202,473
Licences and permits	116,954	159,061
Miscellaneous other revenue	17,272,057	17,674,548
Levies - refuse dump yard	626,620	825,555
Connection fees	3,167,363	2,338,908
Other income	7,275,452	4,480,888
Income legal cost	3,593,305	4,464,527
Interest received - investment	2,107,597	2,701,815
Dividends received	98,858	96,022
	595,105,982	572,170,831

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

Taxation revenue

Property rates	128,980,269	114,445,495
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Transfer revenue

Government grants & subsidies	209,642,375	202,893,358
Public contributions and donations	10,414,953	16,729,794
	349,037,597	334,068,647

57. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	6,068,776	4,641,920
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Appendix A

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa							
Loan 61006825	9000000	5,783,752	-	1,163,296	4,620,456	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		5,783,752	-	1,163,296	4,620,456	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability							
Standard Banh Finance Facility		9,230,215	5,112,662	1,977,460	12,365,417	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		9,230,215	5,112,662	1,977,460	12,365,417	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans							

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	225,670,815	-	(305,000)	-	-	-	225,365,815	-	-	-	-	-	-	225,365,815
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	140,763,412	6,591,342	-	-	-	-	147,354,754	(54,881,551)	-	-	(2,687,751)	-	(57,569,302)	89,785,452
	366,434,227	6,591,342	(305,000)	-	-	-	372,720,569	(54,881,551)	-	-	(2,687,751)	-	(57,569,302)	315,151,267
Infrastructure														
Roads, Pavements & Bridges	724,255,442	44,575,853	-	-	-	-	768,831,295	(497,627,343)	-	-	(20,997,457)	-	(518,624,800)	250,206,495
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	300,857,756	17,468,318	(354,500)	-	-	-	317,971,574	(124,153,631)	-	-	(6,692,159)	-	(130,845,790)	187,125,784
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	437,753,279	-	-	-	-	-	437,753,279	(270,824,699)	-	-	(7,300,844)	-	(278,125,543)	159,627,736
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	316,901,704	15,694,696	-	-	-	-	332,596,400	(99,118,594)	-	-	(3,009,275)	-	(102,127,869)	230,468,531
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85,719	-	-	-	-	-	85,719	(74,303)	-	-	(3,805)	-	(78,108)	7,611
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	3,724,169	-	-	-	-	-	3,724,169	(676,968)	-	-	(80,705)	-	(757,673)	2,966,496
	1,783,578,069	77,738,867	(354,500)	-	-	-	1,860,962,436	(992,475,538)	-	-	(38,084,245)	-	1,030,559,783	830,402,653
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	2,595,487	(2,595,487)	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,595,487	(2,595,487)	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	31,944,817	3,242,265	(1,686,711)	-	-	-	33,500,371	(20,574,130)	1,379,747	-	475,157	-	(18,719,226)	14,781,145
Plant & equipment	18,459,474	1,055,939	(357,487)	-	-	-	19,157,926	(11,290,876)	306,983	-	(701,487)	-	(11,685,380)	7,472,546
Computer Equipment	40,216,253	1,396,073	(545,269)	-	-	-	41,067,057	(30,197,597)	495,773	-	1,779,296	-	(27,922,528)	13,144,529
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	26,168,400	60,813	(1,141,836)	-	-	-	25,087,377	(20,511,335)	1,033,035	-	919,756	-	(18,558,544)	6,528,833
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	8,096,680	2,923,073	-	-	-	-	11,019,753	(103,938)	-	-	(890,824)	-	(994,762)	10,024,991
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	124,885,624	8,678,163	(3,731,303)	-	-	-	129,832,484	(82,677,876)	3,215,538	-	1,581,898	-	(77,880,440)	51,952,044

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	366,434,227	6,591,342	(305,000)	-	-	-	372,720,569	(54,881,551)	-	-	(2,687,751)	-	(57,569,302)	315,151,267
Infrastructure	1,783,578,069	77,738,867	(354,500)	-	-	-	1,860,962,436	(992,475,538)	-	-	(38,084,245)	-	(1,030,559,783)	830,402,653
Community Assets	2,595,487	(2,595,487)	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	124,885,624	8,678,163	(3,731,303)	-	-	-	129,832,484	(82,677,876)	3,215,538	-	1,581,898	-	(77,880,440)	51,952,044
	2,278,054,408	90,412,885	(4,390,803)	-	-	-	2,364,076,490	(1,130,034,965)	3,215,538	-	(39,190,098)	-	(1,166,009,525)	1,198,066,965
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	863,321	4,224,855	-	-	-	-	5,088,176	(545,692)	-	-	(121,196)	-	(666,888)	4,421,288
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	863,321	4,224,855	-	-	-	-	5,088,176	(545,692)	-	-	(121,196)	-	(666,888)	4,421,288
Investment properties														
Investment property	86,902,762	-	(310,000)	-	-	-	86,592,762	(513,426)	-	-	(24,950)	-	(538,376)	86,054,386
	86,902,762	-	(310,000)	-	-	-	86,592,762	(513,426)	-	-	(24,950)	-	(538,376)	86,054,386
Total														
Land and buildings	366,434,227	6,591,342	(305,000)	-	-	-	372,720,569	(54,881,551)	-	-	(2,687,751)	-	(57,569,302)	315,151,267
Infrastructure	1,783,578,069	77,738,867	(354,500)	-	-	-	1,860,962,436	(992,475,538)	-	-	(38,084,245)	-	(1,030,559,783)	830,402,653
Community Assets	2,595,487	(2,595,487)	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	124,885,624	8,678,163	(3,731,303)	-	-	-	129,832,484	(82,677,876)	3,215,538	-	1,581,898	-	(77,880,440)	51,952,044
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	863,321	4,224,855	-	-	-	-	5,088,176	(545,692)	-	-	(121,196)	-	(666,888)	4,421,288
Investment properties	86,902,762	-	(310,000)	-	-	-	86,592,762	(513,426)	-	-	(24,950)	-	(538,376)	86,054,386
	2,365,820,491	94,637,740	(4,700,803)	-	-	-	2,455,757,428	(1,131,094,083)	3,215,538	-	(39,336,244)	-	(1,167,214,789)	1,288,542,639

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	225,266,450	404,365	-	-	-	-	225,670,815	-	-	-	-	-	-	225,670,815
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	134,856,434	5,906,978	-	-	-	-	140,763,412	(52,217,280)	-	-	(2,664,271)	-	(54,881,551)	85,881,861
Total	360,122,884	6,311,343	-	-	-	-	366,434,227	(52,217,280)	-	-	(2,664,271)	-	(54,881,551)	311,552,676
Infrastructure														
Roads, Pavements & Bridges	709,246,928	22,585,539	(7,577,025)	-	-	-	724,255,442	(492,807,055)	6,363,064	-	(11,183,352)	-	(497,627,343)	226,628,099
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	258,645,570	43,283,207	(1,071,021)	-	-	-	300,857,756	(118,500,745)	705,946	-	(6,358,832)	-	(124,153,631)	176,704,125
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	434,086,304	3,666,975	-	-	-	-	437,753,279	(263,501,622)	-	-	(7,323,077)	-	(270,824,699)	166,928,580
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	290,583,751	26,317,953	-	-	-	-	316,901,704	(96,107,895)	-	-	(3,010,699)	-	(99,118,594)	217,783,110
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85,719	-	-	-	-	-	85,719	(72,537)	-	-	(1,766)	-	(74,303)	11,416
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	3,724,169	-	-	-	-	-	3,724,169	(668,139)	-	-	(8,829)	-	(676,968)	3,047,201
Total	1,696,372,441	95,853,674	(8,648,046)	-	-	-	1,783,578,069	(971,657,993)	7,069,010	-	(27,886,555)	-	(992,475,538)	791,102,531
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	2,595,487	-	-	-	-	2,595,487	-	-	-	-	-	-	2,595,487
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	2,595,487	-	-	-	-	2,595,487	-	-	-	-	-	-	2,595,487

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	32,108,817	-	(164,000)	-	-	-	31,944,817	(16,879,258)	110,700	-	(3,805,572)	-	(20,574,130)	11,370,687
Plant & equipment	17,356,363	1,130,361	(27,250)	-	-	-	18,459,474	(10,453,624)	3,179	-	(840,431)	-	(11,290,876)	7,168,598
Computer Equipment	40,201,744	18,009	(3,500)	-	-	-	40,216,253	(25,258,817)	2,837	-	(4,941,617)	-	(30,197,597)	10,018,656
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	25,836,122	332,278	-	-	-	-	26,168,400	(17,976,645)	-	-	(2,534,690)	-	(20,511,335)	5,657,065
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	8,096,680	-	-	-	-	8,096,680	-	-	-	(103,938)	-	(103,938)	7,992,742
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	115,503,046	9,577,328	(194,750)	-	-	-	124,885,624	(70,568,344)	116,716	-	(12,226,248)	-	(82,677,876)	42,207,748

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	360,122,884	6,311,343	-	-	-	-	366,434,227	(52,217,280)	-	-	(2,664,271)	-	(54,881,551)	311,552,676
Infrastructure	1,696,372,441	95,853,674	(8,648,046)	-	-	-	1,783,578,069	(971,657,993)	7,069,010	-	(27,886,555)	-	(992,475,538)	791,102,531
Community Assets	-	2,595,487	-	-	-	-	2,595,487	-	-	-	-	-	-	2,595,487
Heritage assets	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	115,503,046	9,577,328	(194,750)	-	-	-	124,885,624	(70,568,344)	116,716	-	(12,226,248)	-	(82,677,876)	42,207,748
	2,172,559,372	114,337,832	(8,842,796)	-	-	-	2,278,054,408	1,094,443,617	7,185,726	-	(42,777,074)	-	1,130,034,965	1,148,019,443
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	863,321	-	-	-	-	-	863,321	(418,144)	-	-	(127,548)	-	(545,692)	317,629
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	863,321	-	-	-	-	-	863,321	(418,144)	-	-	(127,548)	-	(545,692)	317,629
Investment properties														
Investment property	86,902,762	-	-	-	-	-	86,902,762	(487,635)	-	-	(25,791)	-	(513,426)	86,389,336
	86,902,762	-	-	-	-	-	86,902,762	(487,635)	-	-	(25,791)	-	(513,426)	86,389,336
Total														
Land and buildings	360,122,884	6,311,343	-	-	-	-	366,434,227	(52,217,280)	-	-	(2,664,271)	-	(54,881,551)	311,552,676
Infrastructure	1,696,372,441	95,853,674	(8,648,046)	-	-	-	1,783,578,069	(971,657,993)	7,069,010	-	(27,886,555)	-	(992,475,538)	791,102,531
Community Assets	-	2,595,487	-	-	-	-	2,595,487	-	-	-	-	-	-	2,595,487
Heritage assets	561,001	-	-	-	-	-	561,001	-	-	-	-	-	-	561,001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	115,503,046	9,577,328	(194,750)	-	-	-	124,885,624	(70,568,344)	116,716	-	(12,226,248)	-	(82,677,876)	42,207,748
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	863,321	-	-	-	-	-	863,321	(418,144)	-	-	(127,548)	-	(545,692)	317,629
Investment properties	86,902,762	-	-	-	-	-	86,902,762	(487,635)	-	-	(25,791)	-	(513,426)	86,389,336
	2,260,325,455	114,337,832	(8,842,796)	-	-	-	2,365,820,491	1,095,349,396	7,185,726	-	(42,930,413)	-	1,131,094,083	1,234,726,408

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun			
Local Government Financial Governmet Grant	National Treasury	1,625	-	-	-	-	175	125	355	970	-	-	-	-	-	-	-	Yes	
Municipal Systems Improvement Grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Expanded Public Works Programme Integrated Grant	National Treasury	265	477	318	-	-	231	233	379	280	287	-	49	-	-	-	Previous year funds	Yes	
Water Services Operating Subsidy grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	Previous year funds	Yes	
Municipal Infrastructure Grant	National Treasury	16,485	9,414	31,724	-	-	4,135	23,092	2,698	22,342	-	-	-	-	-	-	Yes		
Integrated National electrification programme Grant	National Treasury	3,310	9,266	5,823	-	-	7,510	4,950	1,415	3,082	-	-	-	-	-	-	Yes		
Equitable Share	National Treasury	52,490	41,934	31,495	-	-	31,441	30,895	32,478	31,105	-	-	-	-	-	-	Yes		
SETA	LGSETA	97	92	124	205	-	97	44	88	288	-	-	-	-	-	-			
SETA (WIL)	LGSETA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		74,272	61,183	69,484	205	-	43,589	59,339	37,413	58,067	287	-	59	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.