



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

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Low capacity Municipality (Local Government) Municipality demarcation code: KZN265
Nature of business and principal activities	Service Delivery: Rates, waste management and general services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa.
Executive committee	His Worship Mayor Cllr MA Mncwango Honourable Deputy Mayor Cllr AN Xulu Honourable Speaker Cllr BW Zulu Cllr NG Xaba Cllr RZ Buthelezi Cllr AN Ndabandaba Cllr SA Hlongwane Cllr BJ Ntshangase Cllr NM Mthembu
Councillors	Cllr EB Masango Cllr ME Ndwandwe Cllr QM Dlamini Cllr SM Zulu Cllr HZ Sibiyi Cllr AM Mncwango Cllr SC Ndwandwe Cllr BG Ntombela Cllr TZ Cebekhulu Cllr MM Zondo Cllr SK Hadebe Cllr NP Mlambo Cllr SM Mbatha Cllr LN Mdluli Cllr NS Magwaza Cllr ZN Sithole Cllr MN Mkhwanazi Cllr MA Mtshali Cllr ZS Hlongwa Cllr NB Nhleko Cllr SC Ngcobo Cllr TN Mthethwa Cllr TM Ndwandwe Cllr LN Buthelezi Cllr PM Xhakaza Cllr JT Dlamini Cllr MD Ndwandwe Cllr KM Mtshali

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General Information

	Cllr MS Hadebe Cllr VB Zulu Cllr ZJ Zungu Cllr TJ Nsele Cllr ME Nkosi Cllr AN Xulu Cllr BW Zulu Cllr MA Mncwango
Grading of local authority	3
Accounting Officer	Mrs VT Sokhela (Acting Accounting Officer)
Chief Finance Officer (CFO)	Mrs BN Mthenjana (Acting CFO)
Registered office	PO Box 84 Nongoma 3950
Business address	103 Main Road Nongoma 3950
Auditors	Auditor General South Africa
Attorneys	M Magigaba Incorporated Stowell & Co Attorneys
Business Telephone	035 831 7500
Business Fax	035 831 3152

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MTREF	Medium Term Revenue and Expenditure Framework
AUC	Assets Under Construction
IGRAP	Interpretation of the Standards of Generally Recongnised Accounting Practice
VAT	Value Added Tax
SARS	South African Revenue Services
SALGA	South African Local Government Association
CATHSSETA	Culture,Arts,Tourism,Hospitality Sports,Sector Education Training Authority
KPI	Key Performance Indicator
LGSETA	Local Government Sector Education and Training Authority
FMG	Financial Management Grant
NDPG	Neighbourhood Development Partnership Grant
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
SDL	Skills and Development Levy
IT	Information Technology
CoGTA	Cooperative Governance and Traditional Affairs
PwC	PricewaterhouseCoopers
SCM	Supply Chain Management
PAYE	Pay As You Earn
MSIG	Municipal Systems Improvement Grant
DoRA	Division of Revenue Act

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Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable 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 annual financial statements set out on page 6 to 70 which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2017 and were signed on behalf of the municipality.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mrs VT Sokhela
Accounting Officer

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Rands	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
VAT receivable	3	340 746	4 050 430
Other receivables	4	559 083	530 130
Consumer debtors	5	26 563 536	21 858 156
Prepayments	6	707 250	308 520
Cash and cash equivalents	7	3 678 251	6 545 788
		31 848 866	33 293 024
Non-Current Assets			
Property, plant and equipment	8	333 788 504	296 963 468
Intangible assets	9	277 133	457 540
		334 065 637	297 421 008
Total Assets		365 914 503	330 714 032
Liabilities			
Current Liabilities			
Finance lease obligation	10	116 395	105 052
Operating lease liability	11	690 064	417 008
Payables from exchange transactions	12	20 473 348	15 365 081
Employee benefit obligation	13	162 776	76 278
Unspent conditional grants and receipts	14	174 638	220 700
Provisions	15	6 911 452	538 639
Instalment sale liability	16	-	53 918
		28 528 673	16 776 676
Non-Current Liabilities			
Finance lease obligation	10	53 899	47 279
Employee benefit obligation	13	3 130 684	2 993 170
Provisions	15	-	6 268 605
		3 184 583	9 309 054
Total Liabilities		31 713 256	26 085 730
Net Assets		334 201 247	304 628 302
Net Assets			
Accumulated surplus		334 201 247	304 628 302

* See Note 36

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Rands	Note(s)	2017	2016 Restated*
Revenue			
Service charges	18	1 722 819	1 685 461
Rental of facilities and equipment	17	167 381	59 923
Interest levied on outstanding consumer debtors		2 444 145	2 120 594
Licences and permits		868 944	667 973
Other income	19	1 013 702	730 204
Interest received	20	1 662 647	1 813 802
Property rates	21	19 507 344	18 230 205
Government grants & subsidies	22	169 174 062	176 812 201
Fines and penalties	23	267 658	281 223
Total revenue		196 828 702	202 401 586
Expenditure			
Employee related costs	24	(73 794 887)	(67 668 060)
Remuneration of councillors	25	(13 185 058)	(12 494 879)
Depreciation and amortisation	26	(12 816 722)	(9 872 371)
Impairment loss/ Reversal of impairments	27	3 572 247	(523 481)
Finance costs	28	(142 175)	(128 738)
Debt Impairment	29	(3 976 815)	(1 807 406)
Contracted services	30	(17 132 962)	(10 599 799)
General Expenses	31	(48 958 780)	(40 652 006)
Total expenditure		(166 435 152)	(143 746 740)
Operating surplus		30 393 550	58 654 846
Write-off of Property,Plant and Equipment		(820 623)	(211 427)
Surplus for the year		29 572 927	58 443 419

* See Note 36

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Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Rands	Accumulated surplus	Total net assets
Balance at 1 July 2015	246 184 883	246 184 883
Changes in net assets		
Surplus for the year - restated	58 443 419	58 443 419
Total changes	58 443 419	58 443 419
Restated* Balance at 01 July 2016	304 628 321	304 628 321
Changes in net assets		
Surplus for the year	29 572 927	29 572 927
Total changes	29 572 927	29 572 927
Balance at 30 June 2017	334 201 248	334 201 248

* See Note 36

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Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Rands	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		15 038 506	14 109 021
Grants		169 128 000	161 474 000
Interest income		1 662 647	1 813 802
Other receipts		2 067 835	1 202 300
		<u>187 896 988</u>	<u>178 599 123</u>
Payments			
Employee costs		(86 103 474)	(78 985 743)
Suppliers		(57 741 040)	(58 270 336)
Finance costs		(142 175)	(128 738)
		<u>(143 986 689)</u>	<u>(137 384 817)</u>
Net cash flows from operating activities	32	<u>43 910 299</u>	<u>41 214 306</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(46 705 955)	(49 516 773)
Purchase of other intangible assets	9	-	(492 934)
Net cash flows used on investing activities		<u>(46 705 955)</u>	<u>(50 009 707)</u>
Cash flows from financing activities			
Movement in instalment sale liability		(53 918)	(305 980)
Movement in finance lease liabilities		(17 963)	(30 560)
Net cash flows from financing activities		<u>(71 881)</u>	<u>(336 540)</u>
Net increase/(decrease) in cash and cash equivalents		(2 867 537)	(9 131 941)
Cash and cash equivalents at the beginning of the year		6 545 788	15 677 729
Cash and cash equivalents at the end of the year	7	<u>3 678 251</u>	<u>6 545 788</u>

* See Note 36

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Annual Financial Statements for the year ended 30 June 2017

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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 789 665	-	1 789 665	1 722 819	(66 846)	Appendix E(1)
Rental of facilities and equipment	122 329	6 000	128 329	167 381	39 052	
Interest received	2 810 193	-	2 810 193	2 444 145	(366 048)	
Licences and permits	715 167	72 303	787 470	868 944	81 474	
Other income	410 201	712 338	1 122 539	1 013 702	(108 837)	
Interest received	1 720 397	-	1 720 397	1 662 647	(57 750)	
Total revenue from exchange transactions	7 567 952	790 641	8 358 593	7 879 638	(478 955)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	20 938 751	(35 000)	20 903 751	19 507 344	(1 396 407)	
Transfer revenue						
Government grants & subsidies	169 178 000	(50 000)	169 128 000	169 174 062	46 062	
Fines, Penalties and Forfeits	281 683	1 784	283 467	267 658	(15 809)	
Total revenue from non-exchange transactions	190 398 434	(83 216)	190 315 218	188 949 064	(1 366 154)	
Total revenue	197 966 386	707 425	198 673 811	196 828 702	(1 845 109)	
Expenditure						
Personnel	(65 755 179)	(1 097 714)	(66 852 893)	(73 794 887)	(6 941 994)	
Remuneration of councillors	(12 715 501)	22 369	(12 693 132)	(13 185 058)	(491 926)	
Depreciation and amortisation	(10 150 547)	4 000 000	(6 150 547)	(12 816 722)	(6 666 175)	
Impairment loss/ Reversal of impairments	-	-	-	3 572 247	3 572 247	
Finance costs	(482 035)	430 041	(51 994)	(142 175)	(90 181)	
Bad debts written off	(1 760 265)	-	(1 760 265)	(3 976 815)	(2 216 550)	
Contracted Services	(17 794 891)	(2 939 655)	(20 734 546)	(17 132 962)	3 601 584	
General Expenses	(39 239 801)	(3 457 486)	(42 697 287)	(48 958 780)	(6 261 493)	
Total expenditure	(147 898 219)	(3 042 445)	(150 940 664)	(166 435 152)	(15 494 488)	
Operating surplus	50 068 167	(2 335 020)	47 733 147	30 393 550	(17 339 597)	
Loss on disposal of assets and liabilities	-	-	-	(820 623)	(820 623)	
Surplus before taxation	50 068 167	(2 335 020)	47 733 147	29 572 927	(18 160 220)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	50 068 167	(2 335 020)	47 733 147	29 572 927	(18 160 220)	

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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
Figures in Rand - Budget rounded to the nearest R 1000						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	814 063	(6 000)	808 063	559 083	(248 980)	
VAT receivable	-	-	-	340 746	340 746	
Other receivables	-	4 050 430	4 050 430	-	(4 050 430)	
Consumer debtors	24 177 057	2 328 176	26 505 233	26 563 536	58 303	
Prepayments	-	308 520	308 520	707 250	398 730	
Cash and cash equivalents	15 775 150	(9 168 581)	6 606 569	3 678 251	(2 928 318)	
	40 766 270	(2 487 455)	38 278 815	31 848 866	(6 429 949)	
Non-Current Assets						
Property, plant and equipment	347 946 315	(6 930 144)	341 016 171	333 788 504	(7 227 667)	
Intangible assets	385 327	(15 035)	370 292	277 133	(93 159)	
	348 331 642	(6 945 179)	341 386 463	334 065 637	(7 320 826)	
Total Assets	389 097 912	(9 432 634)	379 665 278	365 914 503	(13 750 775)	
Liabilities						
Current Liabilities						
Finance lease obligation	2 133 548	(1 757 000)	376 548	116 395	(260 153)	
Operating lease liability	-	-	-	690 064	690 064	
Payables from exchange transactions	15 126 811	321 841	15 448 652	20 473 348	5 024 696	
Employee benefit obligation	-	-	-	162 776	162 776	
Unspent conditional grants and receipts	-	-	-	174 638	174 638	
Provisions	107 971	677 002	784 973	6 911 452	6 126 479	
	17 368 330	(758 157)	16 610 173	28 528 673	11 918 500	
Non-Current Liabilities						
Finance lease obligation	3 012 520	37 762	3 050 282	53 899	(2 996 383)	
Employee benefit obligation	7 565 677	2 021 004	9 586 681	3 130 684	(6 455 997)	
	10 578 197	2 058 766	12 636 963	3 184 583	(9 452 380)	
Total Liabilities	27 946 527	1 300 609	29 247 136	31 713 256	2 466 120	
Net Assets	361 151 385	(10 733 243)	350 418 142	334 201 247	(16 216 895)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	361 151 385	(10 733 243)	350 418 142	334 201 247	(16 216 895)	

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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
Figures in Rand - Budget rounded to the nearest R 1000						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rate Payers & Other	17 519 093	(24 500)	17 494 593	15 038 506	(2 456 087)	
Grants- operational	124 761 000	(50 000)	124 711 000	124 711 000	-	
Other receipts	3 001 816	763 621	3 765 437	3 730 482	(34 955)	
Grants - Capital	44 417 000	-	44 417 000	44 417 000	-	
	189 698 909	689 121	190 388 030	187 896 988	(2 491 042)	
Payments						
Suppliers & Employees	(135 288 881)	(6 719 966)	(142 008 847)	(143 844 514)	(1 835 667)	
Finance costs	(482 035)	430 041	(51 994)	(142 175)	(90 181)	
Other payments	(217 140)	(1 605 148)	(1 822 288)	-	1 822 288	
	(135 988 056)	(7 895 073)	(143 883 129)	(143 986 689)	(103 560)	
Net cash flows from operating activities	53 710 853	(7 205 952)	46 504 901	43 910 299	(2 594 602)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(54 167 000)	4 051 000	(50 116 000)	(46 705 955)	3 410 045	
Proceeds from sale of property, plant and equipment	322 321	-	322 321	-	(322 321)	
Net cash flows from investing activities	(53 844 679)	4 051 000	(49 793 679)	(46 705 955)	3 087 724	
Cash flows from financing activities						
Repayment of other financial liabilities	(1 523 729)	1 323 287	(200 000)	(71 881)	128 119	
Borrowing and Re-financing	5 950 000	(2 400 000)	3 550 000	-	(3 550 000)	
Net cash flows from financing activities	4 426 271	(1 076 713)	3 349 558	(71 881)	3 278 119	
Net increase/(decrease) in cash and cash equivalents	4 292 445	(4 231 665)	60 780	(2 867 537)	3 771 241	
Cash and cash equivalents at the beginning of the year	11 482 705	(4 936 917)	6 545 788	6 545 788	-	
Cash and cash equivalents at the end of the year	15 775 150	(9 168 582)	6 606 568	3 678 251	3 771 241	

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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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

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

Allowance for doubtful debts

An estimate is made for doubtful debts based on past default experience of all outstanding amounts at year-end excluding amounts due by government departments. In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date on which the credit was initially granted up to financial statement date.

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

The allowance for doubtful debts takes into account the following to establish their recoverability:

- All reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount;
- All reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount;
- Any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it;
- The cost to recover the debt does not warrant further action;
- It has been proven that the debt has prescribed;
- The debtor is untraceable or cannot be identified so as to proceed with further action;
- The debtor has emigrated leaving no assets of value to cost-effectively recover the Municipality's claim;
- It is not possible to prove the debt outstanding;
- A court has ruled that the claim is not recoverable;
- The claim is subject to any order of court;
- The claim is subject to an out of court settlement agreement;
- The debt is subject to a settlement in terms of section 109 of the Systems Act;
- The Municipality has resolved that the debt is irrecoverable.

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.

The municipality considered the following to establish the ability to continue as a going concern:

- Medium Term Revenue and Expenditure Framework (MTREF);
- Division of Revenue Act (DoRA)
- Debt to asset ratio
- Liquidity ratio
- Cash coverage ratio
- Cash flow position
- Collection rate

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Accounting Policies

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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Assets under construction (Work in progress or AUC) is recognised at cost. Total costs of completed projects are transferred from assets under construction to a relevant category or class of assets.

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25-30 years
Motor vehicles	Straight line	7 years
Infrastructure	Straight line	
• Roads		10-50 years
Other property, plant and equipment	Straight line	
• Machinery & Equipment		4-5 years
• Furniture and Equipment		7-10 years
• Computer Equipment		5 years

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1.4 Property, plant and equipment (continued)

Leased Assets	Straight line	2 years
Assets Under Construction		Nil

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

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

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

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

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

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

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

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1.5 Intangible assets (continued)

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

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	3 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 included in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Classification

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Initial recognition

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

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Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

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

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 non-collectability of financial assets

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

Financial assets measured at amortised cost:

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.

Financial assets measured at cost:

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

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Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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).

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Accounting Policies

1.6 Financial instruments (continued)

Presentation

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

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

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

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

1.7 Leases

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

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

Finance leases - 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 lessee is included in the statement of financial position as a finance lease obligation.

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

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

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

Operating leases - lessor

Operating lease revenue is not recognised as revenue on a straight-line basis over the lease term as the difference between the amounts recognised as operating lease revenue and the contractual receipts are considered immaterial.

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

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

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

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

Operating leases - lessee

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

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1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

The entity 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 entity estimates the recoverable service amount of the asset.

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the 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 entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.9 Employee benefits (continued)

Defined benefit plans

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

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

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

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

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity 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.

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1.10 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is 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.
- if the adjustment results in an addition to the cost of an asset, the entity consider 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 entity test 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 and 1.8.

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

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

1.11 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest

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

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

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

1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

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

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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

Measurement

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

When, as a result of a non-exchange transaction, the entity 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.

Transfers

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

The entity 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 entity recognise 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.

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 entity.

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

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Investment income

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

1.15 Borrowing costs

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

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

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year as per note 35.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

- (a) this Act and the Municipal Systems Act and has not been condoned by the said Acts; or
- (b) the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (c) the requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

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

1.20 Conditional grants and receipts

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

1.21 Budget information

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

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.21 Budget information (continued)

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

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

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

1.22 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity 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 entity.

The relationships above as well as transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

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

1.24 Commitments

The municipality will disclose authorised operational and capital expenditure, that which has been approved and contracted for and that which has been approved and not yet contracted for. Outstanding operating lease commitments owing by the municipality and the periods in which payments fall due will also be disclosed.

1.25 Events after the reporting date

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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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 (effective from 1 April 2016) and that are relevant to its operations:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statement
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 17 Property Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-generating assets
- GRAP 31 Intangible Assets
- GRAP 104 Financial Instruments

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:

GRAP 20: Related Party Disclosures - issued June 2011:

Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published but the effective dates were not determined by the Minister. The standards tabled below may be applicable for the municipality's accounting periods beginning on or after 01 July 2017 or later periods.

Standard/ Interpretation:

Nongoma Local Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 32: Service Concession Arrangements: Grantor
GRAP 108: Statutory Receivables
GRAP 109: Accounting by Principals and Agents.

GRAP 20: Related Party Disclosures - issued June 2011:
Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

GRAP 32 and IGRAP 17: Service Concession Arrangements: Grantor - issued August 2013:
Compliance with this standard will not have an impact on the current financial information as no transactions relating to service concession arrangements exists in the current year.

GRAP 108: Statutory Receivables - issued September 2013:
Compliance with this standard would have had an effect on presentation and disclosure only. GRAP 108 requires separate disclosure of statutory receivables together with additional disclosure on measurement basis and impairment criteria.

GRAP 109: Accounting by Principals and Agents issued July 2015:
Compliance with this standard would have had an effect on presentation and disclosure. The information disclosed in accordance with this Standard shall be provided for each material principal-agent arrangement and in aggregate for other principal-agent arrangements.

3. VAT receivable

VAT	340 746	4 050 430
VAT receivable comprised as follows:		
Input VAT claimed through VAT 201 returns submitted	738 318	4 589 467
Undeclared Output VAT	(580 675)	(688 889)
Unclaimed Input VAT	183 103	149 852
	340 746	4 050 430

As at 30 June 2017, VAT refunds relating to VAT201 declarations submitted between the period May and June 2017 were receivable from SARS.

As at 30 June 2016, VAT refunds relating to VAT201 declarations submitted between the period January and June 2016 were receivable from SARS. VAT of R4 666 622 was subsequently receipted during the 2016/17 financial year. Interest of R77 155 relating to VAT receivable was recognised as interest income for the year ended 30 June 2017.

4. Other receivables

Library fines	388	362
Staff debtors	75 250	288 783
Other receivables	129 672	89 672
Sundry debtors	338 656	338 656
Traffic fine debtors	1 426 391	1 176 542
Provision for doubtful debts	(1 411 274)	(1 363 885)
	559 083	530 130

Staff debtors relates to allegations involving a staff member for misappropriation of licence fees collected. As at 30 June 2017, the allegations were subject to investigations in terms of the disciplinary procedures and codes for municipal staff. The municipality recognised an amount of R75 250 allegedly misappropriated as a receivable pending the outcome of the investigation. Refer third bullet point per note 43 - Investigations.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
5. Consumer debtors		
Gross balances		
Rates	31 129 906	23 786 326
Refuse	10 071 814	8 790 136
Service levies	452 430	441 886
	41 654 150	33 018 348
Less: Allowance for impairment		
Rates	(7 822 020)	(5 869 179)
Refuse	(7 035 047)	(4 999 113)
Service levies	(233 547)	(291 899)
	(15 090 614)	(11 160 191)
Net balance		
Rates	23 307 887	17 917 146
Refuse	3 036 767	3 791 023
Service levies	218 882	149 987
	26 563 536	21 858 156
Rates		
Current (0 -30 days)	313 323	586 221
31 - 60 days	133 908	299 714
61 - 90 days	676 115	109 163
91 - 120 days	(86 721)	(1 316 185)
121 - 365 days	395 978	97 630
> 365 days	29 063 252	24 009 784
	30 495 855	23 786 327
Refuse		
Current (0 -30 days)	126 523	110 588
31 - 60 days	60 351	66 972
61 - 90 days	131 034	95 890
91 - 120 days	101 983	63 594
121 - 365 days	113 005	81 422
> 365 days	9 538 919	8 371 670
	10 071 815	8 790 136
Service levies		
Current (0 -30 days)	1 402	2 622
31 - 60 days	719	1 322
61 - 90 days	-	(9 377)
91 - 120 days	1 402	338
121 - 365 days	102	(300)
> 365 days	448 805	447 281
	452 430	441 886

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
5. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	(129 660)	925 271
31 - 60 days	(67 634)	851 526
61 - 90 days	9 092	909 793
91 - 120 days	(124 472)	731 361
121 - 365 days	(46 900)	939 065
> 365 days	(941 367)	25 670 002
	(1 300 941)	30 027 018
Less: Allowance for impairment	(10 381 431)	(7 010 076)
	(11 682 372)	23 016 942
Industrial/ commercial		
Current (0 -30 days)	(400 787)	(294 386)
31 - 60 days	(625 650)	(551 788)
61 - 90 days	(167 442)	(593 437)
91 - 120 days	(361 526)	(2 583)
121 - 365 days	(402 675)	(641 609)
> 365 days	21 836 821	(9 409 655)
	19 878 741	(11 493 458)
Less: Allowance for impairment	(4 709 184)	(4 150 115)
	15 169 557	(15 643 573)
National and provincial government		
Current (0 -30 days)	971 696	68 546
31 - 60 days	888 262	68 271
61 - 90 days	965 498	(120 681)
91 - 120 days	502 663	(1 981 031)
121 - 365 days	958 660	(118 705)
> 365 days	18 155 520	16 568 388
	22 442 299	14 484 788
Total		
Current (0 -30 days)	441 249	699 431
31 - 60 days	194 978	368 009
61 - 90 days	807 148	195 675
91 - 120 days	16 665	(1 252 252)
121 - 365 days	509 085	178 751
> 365 days	39 050 974	32 828 734
	41 020 099	33 018 348
Less: Allowance for impairment	(15 090 615)	(11 160 191)
	25 929 484	21 858 157
Reconciliation of allowance for impairment		
Balance at beginning of the year	(11 160 191)	(9 792 265)
Contributions to allowance	(3 930 423)	(1 367 926)
	(15 090 614)	(11 160 191)
Consumer debtors pledged as security		
No consumer debtors were pledged as security for collateral liabilities.		

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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5. Consumer debtors (continued)

An estimate was made for doubtful debt based on past default experience of all outstanding amounts at year-end excluding amounts due from government departments. In establishing the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date on which the credit was initially granted up to the reporting date.

Debtors who made payment during 2016/17 toward outstanding amounts owed to the municipality were identified and assessed for impairment. This included the total rand value and frequency of payments received toward respective outstanding debtor balances.

Debtors with credit account balances (R634 032 classified and reflected as payables from exchange transactions) were excluded from the provision calculation.

Default debtors comprised business accounts, residential and other debtor categories. In accordance with the municipality's credit control policy, debtors who did not make payment for the duration of 2016/17 and with outstanding balances 90 days and over as at 30 June 2017, were assessed as doubtful. Other default debtors comprising business accounts, residential and other debtor categories, who have not settled outstanding amounts owing to the municipality were assessed as doubtful.

6. Prepayments

Prepaid expenditure	707 250	308 520
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Prepaid expenditure comprised SALGA fees for 2017/18 paid in advance.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30 056	37 079
Bank balances	3 648 195	6 508 709
	3 678 251	6 545 788

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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

The municipality had the following bank accounts

	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National Bank - Cheque Account - 531-5327-8884	1 309 174	1 813 448	344 245	1 309 174	1 813 448	344 245
First National Bank - Licensing Cheque Account - 622-0376-1962	26 924	890 361	240 273	31 994	890 361	240 273
First National Bank - MIG Cheque Account - 622-0222-6751	5 580	1 768 908	13 826 622	5 580	1 768 908	13 826 622
First National Bank - Call Account - 613-1500-0549	1 091	1 080	116 069	1 092	1 080	116 069
First National Bank - Cheque Account - 623-7063-9373	2 763	3 325	329 789	2 763	3 325	329 789
First National Bank - Cheque Account - 623-7306-3222	20 209	1 000	74 460	20 209	1 000	74 460
First National Bank - Cheque Account - 623-7063-8573	338 589	220 700	36 674	338 589	220 700	36 674
First National Bank - 7 Day Notice Deposit Account - 744-2706-5468	1 938 794	1 809 887	705 769	1 938 794	1 809 887	705 769
Total	3 643 124	6 508 709	15 673 901	3 648 195	6 508 709	15 673 901

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands

8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 754 293	-	5 754 293	5 754 293	-	5 754 293
Buildings	108 059 505	(38 615 317)	69 444 188	93 716 206	(37 344 633)	56 371 574
Infrastructure	133 290 106	(19 563 119)	113 726 987	107 081 322	(19 293 828)	87 787 494
Other property, plant and equipment	16 975 419	(7 654 487)	9 320 932	15 546 907	(9 093 261)	6 453 646
Leased Assets	299 730	(145 856)	153 874	866 024	(732 884)	133 140
Assets Under Construction	149 293 567	(13 905 337)	135 388 230	150 938 568	(10 475 247)	140 463 321
Total	413 672 620	(79 884 116)	333 788 504	373 903 320	(76 939 853)	296 963 468

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Newly identified assets	Disposals	Transfers	Depreciation	Impairment (loss) reversal	Total
Land	5 754 293	-	-	-	-	-	-	5 754 293
Buildings	56 371 574	-	-	(716 282)	16 116 058	(4 329 298)	2 002 136	69 444 188
Infrastructure	87 787 494	2 278 528	-	(1 587)	24 922 064	(6 238 788)	4 979 276	113 726 987
Other property, plant and equipment	6 453 646	4 889 642	5 841	(99 730)	-	(1 949 390)	20 923	9 320 932
Leased Assets	133 140	144 664	-	(5 091)	-	(118 839)	-	153 874
Assets Under Construction	140 463 321	39 393 121	-	-	(41 038 122)	-	(3 430 090)	135 388 230
	296 963 468	46 705 955	5 841	(822 690)	-	(12 636 315)	3 572 245	333 788 504

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Newly identified assets	Disposals	Transfers	Other changes, movements	Depreciation	Impairment (loss) reversal	Total
Land	5 754 293	-	-	-	-	-	-	-	5 754 293
Buildings	56 697 929	315 000	-	-	393 266	-	(3 575 786)	2 541 165	56 371 574
Infrastructure	75 868 690	1 470 600	-	-	17 155 461	-	(4 704 050)	(2 003 207)	87 787 494
Other property, plant and equipment	5 369 699	3 446 545	48 320	(211 427)	-	-	(1 329 887)	(869 604)	6 453 646
Leased Assets	185 572	189 732	-	-	-	-	(55 908)	(186 256)	133 140
Assets Under Construction	111 291 057	47 016 305	-	-	(17 548 727)	(295 313)	-	-	140 463 322
	255 167 240	52 438 182	48 320	(211 427)	-	(295 313)	(9 665 631)	(517 902)	296 963 469

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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8. Property, plant and equipment (continued)

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	117 293 713	107 699 906
Infrastructure	18 094 517	32 763 413
	135 388 230	140 463 320

Reconciliation of Work-in-Progress 2017

	Assets under construction	Total
Opening balance	140 463 321	140 463 321
Buildings: Additions/capital expenditure	29 412 020	29 412 020
Infrastructure: Additions/capital expenditure	9 981 100	9 981 100
Buildings transferred to completed projects	(16 388 124)	(16 388 124)
Infrastructure transferred to completed projects	(24 649 997)	(24 649 997)
Buildings: Impairment loss recognised	(3 430 090)	(3 430 090)
	135 388 230	135 388 230

Reconciliation of Work-in-Progress 2016

	Assets under construction	Total
Opening balance	111 291 057	111 291 057
Buildings: Additions/capital expenditure	21 766 745	21 766 745
Infrastructure: Additions/capital expenditure	25 249 558	25 249 558
Buildings transferred to completed projects	(688 578)	(688 578)
Infrastructure transferred to completed projects	(17 155 462)	(17 155 462)
	140 463 320	140 463 320

Total cumulative capital expenditure incurred on the Mangomhlophe Sportsfield project as at financial statement date was R4 840 089. During the 2016 financial year, this project was halted due to a disagreement between the municipality and the contractor. During the current year, an impairment loss of R3 430 090 was recognised.

Repairs and maintenance

Expenditure incurred to repair and maintain property, plant and equipment recognised in the Statement of Financial Performance are comprised as:

Motor vehicles	853 427	754 193
Buildings	2 561 863	1 559 377
Furniture and Equipment	30 165	31 811
Road Maintenance	5 060 707	4 025 191
	8 506 162	6 370 572

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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9. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 337 525	(1 060 392)	277 133	1 384 535	(926 995)	457 540

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	457 540	(180 407)	277 133

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	176 923	492 934	(206 739)	(5 578)	457 540

10. Finance lease obligation

Minimum lease payments due

- within one year	128 030	116 938
- in second to fifth year inclusive	56 286	49 138
	184 316	166 076
Less: future finance charges	(14 022)	(13 745)
Present value of minimum lease payments	170 294	152 331

Present value of minimum lease payments due

- within one year	116 395	105 052
- in second to fifth year inclusive	53 899	47 279
	170 294	152 331

Non-current liabilities	53 899	47 279
Current liabilities	116 395	105 052
	170 294	152 331

The municipality procured cellular and communication devices over a period of twenty four (24) months which have been classified as finance leases.

Monthly instalments are payable in arrears. The average interest rate implicit in respective lease contracts is approximately 11.7% (2016: 13.3%) All leases have fixed repayments and no arrangements have been entered into for contingent lease rentals.

11. Operating lease liability

Operating lease liability - Straightlined lease balance	690 064	417 008
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Operating lease payments have been 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 have been recognised as an operating lease asset or liability.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
12. Payables from exchange transactions		
Trade payables	6 801 698	4 585 440
Payments received in advanced	-	10 747
Third party deductions	6 946	291 734
Leave accrual	6 603 834	5 866 778
Deposits received	35 132	34 032
Unallocated receipts	900 175	374 634
Sundry Creditors	4 826 191	3 956 207
Retentions	1 299 372	245 509
	20 473 348	15 365 081

13. Employee benefit obligations

Defined benefit plan

The municipality's employees are members of the Natal Joint Pension Retirement Fund, including the Supernannuation Retirement and Provident Fund. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to the individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Long Term Service Awards Benefits

Long service benefits are awarded in the form of leave days once an employee has completed a certain number of years in service to the municipality. Awarded leave days are converted to a percentage of annual salary by assuming there are two hundred and fifty two (252) working days per year or twenty one (21) working days per month. The expected value of each employee's long service award is projected to the next interval by allowing for salary growth.

The calculated award values are then discounted to the rate based on market yields on government bonds as at the end of June 2017 as published by the Bond Exchange of South Africa.

The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation. Also factored into the valuation were there average age for mortality, retirements and withdrawals from service were considered.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the interval at which the benefit becomes payable. It is also assumed that the current policy for awarding long service awards remains unchanged in the future.

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

Carrying value

Accrued liability - Employee benefit obligation	3 293 460	3 069 448
Non-current liabilities	3 130 684	2 993 170
Current liabilities	162 776	76 278
	3 293 460	3 069 448

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

Opening balance	3 069 448	1 828 000
Current service cost	493 367	284 000
Interest cost	279 435	156 000
Benefits paid	(76 278)	(155 000)
Actuarial (gains) losses	(472 512)	956 448
	3 293 460	3 069 448

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
13. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	493 367	284 000
Benefits paid	(76 278)	(155 000)
Interest cost	279 435	156 000
Actuarial (gains) losses	(472 512)	956 448
	224 012	1 241 448
Membership Data		
The valuation of the long service award benefit was performed using the following variables:		
Members at 30 June	256	249
Average age	41.1	40.6
Average service (Years)	7.1	7.3
Average cost to company salary (Rands)	R19 361	R18 147
Demographic assumptions		
Retirement age	63	63
Mortality rate	SA85-90	SA85-90
Benefit structure		
Continuous service period (Years)	Long service benefit	Long service benefit
10	10	10
20	20	20
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30
Summary of economic assumptions used at reporting date were as follows:		
Discount rate used	9.30 %	9.20 %
Expected increase in salaries	8.00 %	8.50 %
Nominal inflation gap	1.30 %	0.70 %
Net effective inflation gap	1.20 %	0.65 %
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Tourism Grant from Zululand District Municipality	-	40 000
Integrated National Electricity Program	1 188	-
Expanded Public Works Programme	167 150	174 400
Cathseta	6 300	6 300
	174 638	220 700
Movement during the year		
Balance at the beginning of the year	220 700	15 558 901
Grants received	48 082 000	37 257 000
Revenue recognised during the year	(48 128 062)	(52 595 201)
	174 638	220 700

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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14. Unspent conditional grants and receipts (continued)

Refer to note 22 - Grants government grants and subsidies - Revenue from non-exchange transactions.

15. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Contributions during the year	Utilised during the year	Change in discount factor	Total
Rehabilitation of landfill site	6 268 605	63 433	-	125 372	6 457 410
Performance bonuses	538 639	453 314	(537 911)	-	454 042
	6 807 244	516 747	(537 911)	125 372	6 911 452

Reconciliation of provisions - 2016

	Opening Balance	Contributions during the year	Utilised during the year	Change in discount factor	Total
Rehabilitation of landfill site	5 845 215	440 913	-	(17 523)	6 268 605
Performance bonuses	438 282	538 639	(438 282)	-	538 639
	6 283 497	979 552	(438 282)	(17 523)	6 807 244

Non-current liabilities	-	6 268 605
Current liabilities	6 911 452	538 639
	6 911 452	6 807 244

Environmental rehabilitation provision

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the landfill site.

Decommissioning costs includes costs associated with decommissioning end-use infrastructure, compacting works, capping, top-up soling and vegetation as well as construction of stormwater control systems.

The discount rate used for the present value calculation was based on GOVI long bond and amounts to 9.35%.

Performance bonuses

Performance bonuses for Section 57 employees in accordance with Regulation 8 of the Local Government: Municipal Performance Management Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Overall performance and assessment ratings for respective employees shall be evaluated by the municipality using their applicable key performance indicators (KPIs). Performance bonuses relating to the financial year are payable subsequent to year end after the annual report is tabled and adopted by Council and Section 57 employees' annual performance evaluated in accordance with Regulation 23 of the Local Government: Municipal Performance Management Regulations.

16. Instalment sale liability

Current portion	-	53 918
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The municipality entered into an instalment sale agreement with ABSA Bank for the purchase of a motor vehicle. The loan was repayable over a period of sixty month but was settled during the year. Finance charges were incurred at an interest rate of 10.60% per annum.

The instalment sale liability was secured against a motor vehicle with a carrying value of R320 246 (2016: R393 372).

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
17. Revenue		
Service charges	1 722 819	1 685 461
Rental of facilities and equipment	167 381	59 923
Interest charged on overdue debtors	2 444 145	2 120 594
Licences and permits	868 944	667 973
Other income	1 013 702	730 204
Interest earned on investments	1 662 647	1 813 802
Property rates	19 507 344	18 230 205
Government grants & subsidies	169 174 062	176 812 201
Fines and penalties	267 658	281 223
	196 828 702	202 401 586
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 722 819	1 685 461
Rental of facilities and equipment	167 381	59 923
Interest earned on outstanding debtors	2 444 145	2 120 594
Licences and permits	868 944	667 973
Other income	1 013 702	730 204
Interest earned on investments	1 662 647	1 813 802
	7 879 638	7 077 957
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	19 507 344	18 230 205
Transfer revenue		
Government grants & subsidies	169 174 062	176 812 201
Fines and penalties	267 658	281 223
	188 949 064	195 323 629
18. Service charges		
Refuse removal	1 722 819	1 685 461
19. Other income		
Building fees, plan fees and rates clearance certificates	13 171	11 240
LG SETA discretionary grant	579 596	83 305
Commission and rebates	62 493	66 286
Sale of tender documents	69 101	207 944
Scholar patrol rebates	267 715	328 460
Sundries	21 626	32 969
	1 013 702	730 204
20. Interest received		
Investments - Call and notice deposits	1 585 492	1 806 480
SARS - Interest earned on VAT refunds	77 155	7 322
	1 662 647	1 813 802

Interest of R77 155 relating to VAT refunds was receipted during the year.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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21. Property rates

Rates revenue

Property rates levied	19 916 365	18 619 831
Less: Income forgone	(409 021)	(389 626)
	19 507 344	18 230 205

Valuations

Residential	112 459 000	112 459 000
Business	278 527 000	278 527 000
Special	703 628 000	703 628 000
Public Service Infrastructure	12 000	12 000
Vacant Land	5 539 000	5 539 000
Rural Communal Land	400 904 000	400 904 000
	1 501 069 000	1 501 069 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. The supplementary valuation roll was done in 2015.

Property rates are levied on a monthly basis.

22. Government grants and subsidies - Revenue from Non exchange Transactions

Operating grants

Equitable share	121 046 000	124 217 000
Financial Management Grant	1 825 000	1 800 000
Municipal Systems Improvement Grant	-	930 716
Provincial Grant: Libraries	559 000	553 000
Tourism Grant	40 000	60 000
Expanded Public Works Programme	1 109 250	1 449 600
Cyber Cadet Library Grant	179 000	170 000
Sport	-	126 787
	124 758 250	129 307 103

Capital grants

Municipal Infrastructure Grant	30 417 000	35 505 098
Integrated National Electrification	13 998 812	12 000 000
	44 415 812	47 505 098
	169 174 062	176 812 201

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants recognised	48 128 062	52 595 201
Unconditional grants recognised	121 046 000	124 217 000
	169 174 062	176 812 201

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of free basic services to the community. Free basic services comprised free basic electricity.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
22. Government grants and subsidies - Revenue from Non exchange Transactions (continued)		
Equitable Share		
Amount allocated	121 046 000	119 436 000
Other transfers allocated	-	220 000
Unapproved rollovers transferred from conditional grants	-	4 561 000
Amount recognised	(121 046 000)	(124 217 000)
	-	-
Financial Management Grant (FMG)		
Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Provincial Grant: Provincialisation of Libraries		
Current-year receipts	559 000	553 000
Conditions met - transferred to revenue	(559 000)	(553 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	13 814 098
Unspent balance withheld	-	(3 000 000)
Current-year receipts	30 417 000	24 691 000
Conditions met - transferred to revenue	(30 417 000)	(35 505 098)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Neighbourhood Development Partnership Grant (NDPG)		
Balance unspent at beginning of year	-	1 561 000
Unspent balance withheld	-	(1 561 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	716
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 716)
	-	-
Conditions still to be met - remain liabilities (see note 14).		

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
22. Government grants and subsidies - Revenue from Non exchange Transactions (continued)		
Sport grant		
Balance unspent at beginning of year	-	126 787
Conditions met - transferred to revenue	-	(126 787)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Tourism Grant		
Balance unspent at beginning of year	40 000	50 000
Current-year receipts	-	50 000
Conditions met - transferred to revenue	(40 000)	(60 000)
	-	40 000
Conditions still to be met - remain liabilities (see note 14).		
Integrated National Electrification		
Current-year receipts	14 000 000	12 000 000
Conditions met - transferred to revenue	(13 998 812)	(12 000 000)
	1 188	-
Conditions still to be met - remain liabilities (see note 14).		
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	174 400	-
Current-year receipts	1 102 000	1 624 000
Conditions met - transferred to revenue	(1 109 250)	(1 449 600)
	167 150	174 400
Conditions still to be met - remain liabilities (see note 14).		
Cathseta grant		
Balance unspent at beginning of year	6 300	6 300
Conditions still to be met - remain liabilities (see note 14).		
Cyber Cadet Library grant		
Current-year receipts	179 000	170 000
Conditions met - transferred to revenue	(179 000)	(170 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
23. Fines and penalties		
Library Fines - Lost books	1 208	1 873
Traffic Fines	266 450	279 350
	267 658	281 223

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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24. Employee related costs

Basic	45 886 764	41 825 667
Bonus	3 725 866	3 144 108
Medical aid - company contributions	2 616 602	2 059 429
UIF	415 192	357 276
SDL	565 544	505 211
Leave pay provision charge	1 859 772	1 879 581
Pension	10 904 049	9 710 460
Travel, motor car, accommodation, subsistence and other allowances	3 623 510	3 664 565
Overtime payments	3 514 310	2 566 394
Long-service awards	336 312	1 323 795
Other Benefits	346 966	631 574
	73 794 887	67 668 060

Remuneration of Municipal Manager

Annual Remuneration	754 354	708 918
Allowances	500 794	470 670
Performance Bonuses	128 638	121 356
Back Pay	30 361	33 110
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Contributions to SDL and Bargaining Council	13 899	12 507
	1 429 831	1 348 346

Performance bonus for the current year was provided for by the municipality but not paid as at financial statement date.

Remuneration of the Chief Finance Officer

Annual Remuneration	679 283	638 026
Allowances	441 316	414 770
Performance Bonuses	117 219	110 349
Back Pay	27 358	30 087
Contributions to UIF, Medical and Pension Funds	23 903	21 055
Contributions to SDL and Bargaining Council	12 234	11 139
	1 301 313	1 225 426

The Chief Financial Officer was placed on special leave during the year. During this time, the Financial Manager acted in position of Chief Financial Officer. Acting allowances of R103 060 were paid during the period April - June 2016.

Remuneration of Executive Director: Corporate Services

Annual Remuneration	-	319 585
Allowances	-	48 449
Performance Bonuses	-	82 560
Back Pay	-	26 870
Contributions to UIF, Medical and Pension Funds	-	15 746
Contributions to SDL and Bargaining Council	-	5 753
Leave paid	-	84 770
	-	583 733

The position of Executive Director: Corporate Services remained vacant after the Corporate Services Director's contract of employment was terminated effectively during November 2015. As a result, allowances of R242 787 were paid during the year.

Remuneration of Director: Technical Services

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
24. Employee related costs (continued)		
Annual Remuneration	281 382	744 488
Allowances	120 047	329 537
Performance Bonuses	-	109 238
Back Pay	-	29 744
Contributions to UIF, Medical and Pension Funds	744	1 784
Contributions to SDL and Bargaining Council	3 695	11 573
	405 868	1 226 364

The Executive Director: Technical Services resigned effectively during 30 September 2016. A new Technical Director was subsequently appointed during May 2017.

Remuneration of Executive Director: Social Services

Annual Remuneration	708 365	664 981
Allowances	267 635	260 049
Performance Bonuses	104 168	99 566
Back Pay	17 891	27 174
Contributions to UIF, Medical and Pension Funds	47 351	44 034
Contributions to SDL and Bargaining Council	11 435	10 401
Leave paid	43 563	-
	1 200 408	1 106 205

The Executive Director: Community Services was placed on suspension on full pay during the year. As a result, acting allowances of R51 669 was paid during the year.

Remuneration of Executive Director: Planning Services

Annual Remuneration	880 350	820 034
Allowances	133 685	125 643
Performance Bonuses	104 017	98 129
Back Pay	24 537	26 777
Contributions to UIF, Medical and Pension Funds	1 785	9 357
Contributions to SDL and Bargaining Council	11 901	10 428
	1 156 275	1 090 368

The Director: Planning Services was placed on suspension on full pay during the year. As a result, acting allowances of R59 116 was paid during the year.

Remuneration of Executive Director: Protection Services

Annual Remuneration	-	-
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

The position of Executive Director: Protection Services was vacant for the current and prior year.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
25. Remuneration of councillors		
Mayor's Allowance	964 137	740 236
Deputy Mayor's Allowance	580 471	598 190
Executive Committee Allowances	1 929 308	1 927 604
Speaker's Allowance	580 471	597 641
Councillors	8 718 391	7 948 710
Backpay Councillors	412 280	682 498
	13 185 058	12 494 879
In-kind benefits		
Subsequent to the municipal election, a new Council was appointed during August 2016. The positions of Honourable Mayor, Deputy Mayor and Speaker were newly appointed during the financial year.		
The Honourable Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Council.		
The Honourable Mayor has three full-time bodyguards and three full-time drivers. The Speaker has two full-time bodyguards.		
26. Depreciation and amortisation		
Property, plant and equipment (including intangible assets)	12 816 722	9 872 371
27. Impairment loss		
Impairments		
Property, plant and equipment	(3 572 247)	523 481
28. Finance costs		
Interest on instalment sale agreement	673	20 777
Finance leases	16 130	-
Unwinding of interest on provision for landfill rehabilitation	125 372	107 961
	142 175	128 738
29. Debt impairment		
Contributions to debt impairment provision - Traffic fines	246 391	402 438
Contributions to debt impairment provision - Consumer debtors	3 930 424	1 367 926
Bad debts written-off	(200 000)	37 042
	3 976 815	1 807 406
30. Contracted services		
Contracted services expenditure incurred during the year comprised the following:		
Car hire and equipment rental	590 157	990 688
Communication device contracts	1 890 642	958 606
Security services	6 864 908	3 993 808
Operating leases	5 119 085	2 693 071
IT services	126 047	150 944
Landfill site and waste maintenance	2 542 123	1 812 682
	17 132 962	10 599 799

Nongoma Local Municipality

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Notes to the Annual Financial Statements

Rands	2017	2016
31. General expenses		
Advertising	604 365	465 815
Auditors remuneration	1 461 646	1 627 812
Bank charges	89 195	71 819
Cleaning	41 423	92 876
Consulting and professional fees	7 301 103	4 835 530
Donations	32 500	10 000
Entertainment	625 156	203 061
Fines and penalties	3 571	10 654
Free basic electricity	1 971 631	371 737
Insurance	634 911	504 243
Community development and training	2 674 383	7 689 220
Conference and Seminars	516 276	288 849
Promotions and sponsorships	1 375 708	613 334
Policies and planning	1 890 607	2 533 888
Fuel and oil	883 557	775 317
Printing and Stationery	1 487 906	1 305 687
Protective clothing	26 000	259 007
Software expenses	1 595 256	694 731
Telephone and fax	497 609	325 159
Transport and freight	242 392	165 410
Training - staff	1 890 875	1 124 662
Travel - local	7 677 555	6 146 008
Repairs and maintenance	8 506 162	6 370 572
Water and electricity	512 047	532 366
Uniforms	51 313	-
Tourism development	100 072	504 646
Consumables	2 827 723	298 996
Indigent support	693 211	567 411
Third party claims	37 093	-
Disaster management	354 480	766 310
Council inauguration	495 370	-
Sport and recreation	1 794 251	1 181 457
Landfill site	63 433	315 429
	48 958 780	40 652 006
32. Cash generated from operations		
Surplus	29 572 927	58 443 419
Adjustments for:		
Depreciation and amortisation	12 816 722	9 872 371
Loss on disposal of assets	820 623	211 427
Impairment	(3 572 247)	523 481
Movement in provision for doubtful debtors	-	(965 487)
Movements in operating lease assets and accruals	273 056	128 678
Movements in retirement benefit assets and liabilities	224 012	1 241 025
Movements in provisions and employee benefit obligation	-	523 747
Other items	142 175	(93 251)
Other adjustments to property, plant and equipment	(5 841)	-
Disposal of property, plant and equipment	-	7 788
Changes in working capital:		
Consumer debtors	(4 705 380)	(7 927 239)
Other receivables from non-exchange transactions	(28 953)	(537 023)
Prepayments	(398 730)	245 509
Payables from exchange transactions	5 108 313	(1 893 037)
VAT	3 709 684	(3 632 985)
Unspent conditional grants and receipts	(46 062)	(15 338 201)
	43 910 299	41 214 306

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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33. Financial instruments

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Other receivables	559 083	559 083
Consumer debtors	26 563 536	26 563 536
Cash and cash equivalents	3 678 251	3 678 251
	30 800 870	30 800 870

Financial liabilities

	At amortised cost	Total
Finance lease liability	170 294	170 294
Operating lease liability	690 064	690 064
Trade and other payables from exchange transactions	20 473 348	20 473 348
	21 333 706	21 333 706

2016

Financial assets

	At amortised cost	Total
Consumer debtors	21 858 156	21 858 156
Other receivables	530 130	530 130
Cash and cash equivalents	6 545 788	6 545 788
	28 934 074	28 934 074

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	15 365 801	15 365 801
Instalment sale liability	53 918	53 918
Finance lease obligation	152 331	152 331
Operating lease liability	417 008	417 008
	15 989 058	15 989 058

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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34. Related parties

Relationships	
Management	Refer to note 24
Councillors	Refer to note 25

Related party transactions

Remuneration to paid senior management (included in employee related costs)

Remuneration paid to senior management	5 039 653	6 041 803
Performance bonuses provided for	454 042	538 639

Remuneration paid to Councillors

Salaries and allowances	13 185 056	12 494 878
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35. Comparative figures

Certain comparative figures have been restated.

Retentions

Retention liabilities were previously presented separately on the statement of financial position. During the current year, retention liabilities were correctly reclassified as payables from exchange transactions.

Employee benefit obligation

The accrued liability relating to the employee benefit obligation was not split into a current and non-current portion. During the current year, the current portion of the employee benefit obligation liability was correctly classified.

Lease rentals on operating leases

Lease rentals were previously presented separately on the statement of financial performance. During the current year, lease rentals on operating leases were correctly reclassified as contracted services.

The effects of the reclassification are as follows:

Statement of financial position

Payables from exchange transactions	-	245 509
Retentions	-	(245 509)
Employee benefit obligation - Current portion	-	(76 278)
Employee benefit obligation - Non-current portion	-	76 278

Statement of Financial Performance

Lease rentals on operating leases	-	(3 491 008)
Contracted services	-	4 449 614
Repairs and maintenance	-	(6 370 572)
Transfers and subsidies	-	(876 383)
General expenditure	-	6 288 349

36. Prior period errors

Certain comparative figures were restated.

Operating lease liability - Straightlining of operating leases

The municipality did not reconcile the straightline operating lease liability in the comparative period. The straightline lease liability was subsequently reconciled and retrospectively corrected in the current financial year.

Statement of financial position

Operating lease liability - Straightlining of operating leases	-	(192 752)
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Statement of Financial Performance

Contracted services - Straightlining of operating leases	-	192 752
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Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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37. Reclassifications and prior period restatements

The net effect of reclassifications and prior period restatements have been presented below:

Statement of financial position	Previously reported	Re-classified	Prior period corrections	Restated
Employee benefit obligation - Current	-	76 278	-	-
Operating lease liability	224 256	-	192 752	417 008
Payables from exchange transactions	15 119 572	245 509	-	15 365 081
Retentions	245 509	(245 509)	-	-
Employee benefit obligation - Non-current	3 069 448	(76 278)	-	2 993 170
	18 658 785	-	192 752	18 775 259

Statement of financial performance	Previously reported	Re-classified	Prior period corrections	Restated
Rentals on operating leases	3 491 008	(3 491 008)	-	-
Contracted services	5 957 433	4 449 614	192 752	10 599 798
Repairs and maintenance	6 370 572	(6 370 572)	-	-
Transfers and subsidies	876 383	(876 383)	-	-
General expenditure	34 363 657	6 288 349	-	40 652 006
	51 059 053	-	192 752	51 251 804

Statement of changes in net assets	Previously reported	Prior period corrections	Restated
Accumulated surplus as at 30 June 2016	304 821 055	(192 752)	304 628 302

38. Changes in estimates

Property, plant and equipment

The municipality assessed the useful life of property, plant and equipment during the current reporting period. The useful life of certain items of property, plant and equipment were revised.

The impact of this revision in the current and future accounting periods are as follows:

Statement of financial performance	Current period	Future periods
Decrease in depreciation	-R 1 390 758	-R9 290 912

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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39. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholder returns and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality's consists of debt, which includes the borrowings in the form of instalment sale obligation as disclosed in note 16 and 10, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality's monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2017 and 2016 respectively were as follows:

Total borrowings			
Finance lease obligation	10	170 294	152 331
Instalment sale liability	16	-	53 918
Payables from exchange transactions		20 473 348	15 365 081
		20 643 642	15 571 330
Less: Cash and cash equivalents	7	3 678 251	6 545 788
Net debt		16 965 391	9 025 542
Total equity		334 201 247	304 821 055
Total capital		351 166 638	313 846 597

Financial risk management

The municipality's operations expose it to market risk i.e. interest rate risk, liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the municipality's reputation.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2017 and 2016, the municipality's borrowings were denominated in the Rand.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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39. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk and financial liabilities exposed to liquidity risk at year end were as follows:

Financial instrument		
Consumer debtors	26 563 536	21 858 156
Other receivables	559 083	530 130
Cash and cash equivalents	3 678 251	6 545 788
Finance lease obligation	170 294	152 331
Operating lease liability	690 064	417 008
Payables from exchange transactions	20 473 348	15 365 081

40. Going concern

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

The ability of the municipality to continue as a going concern however, is dependent on a number of factors. The most significant of these is that the municipality will still continue to obtain grants from National Treasury and the capital expenditure committed which is a major expenditure item is funded by government grants. The municipality also receives Equitable Share to fund its operations.

As at the date of approval of the annual financial statements, there were no material uncertainties related to events or conditions which may cast significant doubt upon the municipality's ability to continue as a going concern.

41. Events after the reporting date

There were no material events after the reporting date.

42. Contingencies

Contingent liabilities

Pending litigation matters and claims that the municipality was party to as at 30 June 2017 comprised:

- Eviction matter - Unlawful Occupation of Land. Legal counsel's estimate of financial exposure is approximately R350 000.
- Eviction matter - Unlawful Occupation of Land. Legal counsel's estimate of financial exposure is approximately R500 000.
- Recovery of funds - Legal action was taken against the municipality by Econocom Consulting Civil and Structural Engineers & Others. Legal counsel's estimate of financial exposure is approximately R500 000.
- Recovery of funds - Legal action was taken by the municipality against Mr MJ Dladla. Legal counsel's estimate of financial exposure is approximately R500 000.
- Judgement matter - Judgement application opposed on the matter between Telkom and the municipality. Legal counsel's estimate of financial exposure is approximately R350 000.
- Labour matter - Legal action was taken against the municipality by an employee relating to termination of his contract of employment. An estimate of the potential claim as at financial statement date could not be quantified.
- Internal disciplinary enquiries - municipality has instituted disciplinary enquiries against three directors if the enquiries run to finality they could cost up to R500 000.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
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43. Investigations

The following are the matters for which investigations were conducted:

- MEC (COGTA) appointed PWC to conduct a forensic investigation into allegations of improper use of funds regarding the (a) Museum, (b) Absa link road, (c) Lost/stolen cheques, and (d) the Bypass road. In addition, due to the Presidential hotline, other matters had to be included in the investigation, for example, overtime as well as appointment of directors without following regulations. The forensic investigation was completed, the report was presented to the MEC and also tabled before the council.
- In the matter of the museum, consultations have been held with the former Director of Corporate Services Mr. MJ Dladla, who was dismissed in 2015. Summons have been drafted and will be served in due course. Companies (Mageba Trading, Econocom and Plaktin Trading) which were implicated in the matter of the museum were served with summons in an attempt to recover the money that was lost. Isiphiwo Trading was not served as the sheriff could not locate them. Efforts to locate them are still being made. Mageba Trading made a proposal to make a monthly payment of R25 000. The Council subsequently rejected the proposal and further legal action is being taken.
- The disciplinary enquiry against the three suspended directors commenced in June 2017 and their cases are ongoing. The allegations involving junior staff members (allegations of misappropriation of licence fees and purchase of political t-shirts) have been subjected to further investigations in terms of the Disciplinary Procedures & Codes for Municipal staff. A final report in this regard was expected from an independent investigator and prosecutor on 31 July 2017.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16 713 417	49 868 625
Total capital commitments	16 713 417	49 868 625
Authorised operational expenditure		
Approved and contracted for		
• Operational commitments	9 370 509	14 609 231
Total operational commitments	9 370 509	14 609 231
Total commitments		
Total commitments		
Authorised capital expenditure	16 713 417	49 868 625
Authorised operational expenditure	9 370 509	14 609 231
	26 083 926	64 477 856

Commitments (and corresponding expenditure incurred thereon) relates to capital projects and other operational programmes that will be financed by available government grants, retained surpluses, existing cash resources and funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	4 714 648	3 678 425
- in second to fifth year inclusive	7 204 005	7 236 135
	11 918 653	10 914 560

Operating lease payments comprise office equipment leased from Nashua Zululand whilst properties are leased from Priscila Bond. No contingent rent is payable.

Leases are negotiated for an average of three years and rentals vary in terms of a contract of the lease. Leases are subject to escalation at an average rate of 9% (2016: 9% over the lease period).

45. Unauthorised expenditure

Unauthorised expenditure	31 773 115	19 471 839
Unauthorised expenditure - Current year	19 916 693	12 301 276
	51 689 808	31 773 115

Current year unauthorised expenditure comprises actual expenditure incurred whereby the final budget was exceeded. Refer Statement of Comparison of Budget and Actual Amounts in conjunction with Appendix E(1) for details relating to expenditure that was exceeded.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
46. Fruitless and wasteful expenditure		
Opening balance	988 236	165 314
Fruitless and wasteful expenditure - Current year	3 570	822 922
	991 806	988 236

Fruitless and wasteful expenditure incurred related to interest charged on late payment of suppliers during the year .

47. Irregular expenditure

Opening balance	37 509 380	34 150 416
Add: Irregular Expenditure - Current year	25 747 485	3 358 964
	63 256 865	37 509 380

Irregular expenditure (R25 747 485) incurred in the current year is comprised as follows:

- Payments made to suppliers whose members were in the service of the state amounted to R194 030
- Competitive bidding process not followed: R 597 582
- Winning bidder did not provide proof of municipal rates and copy of CK document R 388 100
- Non-Compliance with Section 17 of SCM Policy: R 24 803
- Payments made to suppliers whose members were in the service of the state: R 74 930
- Procurement of good from designated sectors: R 425 024
- Inadequate control over assessing winning bidder's municipal rates: R 8 487 829
- Winning Bidder did not have Contactable references: R 162 889
- No capping amount applied to professional fee paid to Ntshidi and Associates and over payments. No accrual raised for free on VAT recovery. SLA not signed. R136 192
- Winning bidder not provide proof of municipal rates, certified copy of CK documents and valid original tax clearance R 844 121
- Payments made in excess of contract values amounted to R9 679 805
- Payments to suppliers who did not submit declaration of interest: R953 462
- Non-compliant SCM Deviations amounted to R3 381 243
- Excessive amount paid for VAT recoveries - Professional services : R397 474

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	(527 640)
Current year subscription	601 670	527 640
Amount paid - current year	(601 670)	-
Amount paid in advance	(707 250)	-
	(707 250)	-

The municipality is the member of South African Local Government Association (SALGA). Annual subscriptions for membership fees are paid.

Skills Development Levy

Opening balance	6 946	-
Current year subscription / fee	614 836	498 265
Amount paid - current year	(614 836)	(491 319)
	6 946	6 946

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Rands	2017	2016
48. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	23 564	14 266
Current year fees	1 557 358	1 667 547
Amount paid - current year	(1 557 358)	(1 643 983)
Amount paid - previous years	(23 564)	(14 266)
	-	23 564
PAYE		
Opening balance	284 788	-
Current year subscription / fee	11 815 079	10 407 859
Amount paid - current year	(11 815 079)	(10 123 071)
	284 788	284 788
Pension and Medical Aid Deductions		
Opening balance	-	19 956
Current year subscription / fee	17 066 887	18 064 683
Amount paid - current year	(17 066 587)	(18 064 683)
Amount paid - previous year	-	(19 956)
	300	-
VAT		
VAT receivable	340 746	4 050 430

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

49. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted operating expenditure.

50. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted capital expenditure.

51. 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.

Goods and services procured during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. 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.

Deviations from municipal supply chain management regulations for the year ended 30 June 2017 amounted to R981 113 (2016: R3 500 800).

Appendix B

June 2017

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

Cost/Valuation	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	5 754 293	-	-	-	-	-	5 754 293	-	-	-	-	-	-	5 754 293
Dwellings	16 823 643	-	-	-	-	-	16 823 643	(5 236 030)	-	-	(561 488)	-	(5 797 518)	11 026 125
Non-residential Dwellings	76 892 563	-	(1 772 760)	16 116 058	-	-	91 235 861	(32 108 603)	1 056 479	-	(3 767 810)	2 002 136	(32 817 798)	58 418 063
	99 470 499	-	(1 772 760)	16 116 058	-	-	113 813 797	(37 344 633)	1 056 479	-	(4 329 298)	2 002 136	(38 615 316)	75 198 481
Infrastructure														
Roads	104 748 535	-	(685 938)	24 922 064	-	-	128 984 661	(18 753 395)	684 351	-	(5 714 764)	5 236 659	(18 547 149)	110 437 512
Solid Waste	2 098 727	2 278 528	(305 869)	-	-	-	4 071 386	(428 198)	305 869	-	(516 206)	(257 382)	(895 917)	3 175 469
Cemetries	234 060	-	-	-	-	-	234 060	(112 236)	-	-	(7 818)	-	(120 054)	114 006
	107 081 322	2 278 528	(991 807)	24 922 064	-	-	133 290 107	(19 293 829)	990 220	-	(6 238 788)	4 979 277	(19 563 120)	113 726 987

Appendix B

June 2017

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

Cost/Valuation	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
Assets Under Construction														
Capital projects	150 938 568	39 393 121	-	(41 038 122)	-	-	149 293 567	(10 475 247)	-	-	-	(3 430 090)	(13 905 337)	135 388 230
	150 938 568	39 393 121	-	(41 038 122)	-	-	149 293 567	(10 475 247)	-	-	-	(3 430 090)	(13 905 337)	135 388 230
Other assets (including leased assets)														
Furniture and equipment	2 126 881	250 208	(337 390)	-	-	2 842	2 042 541	(1 488 647)	323 009	-	(253 467)	3 254	(1 415 851)	626 690
Transport assets	8 944 094	3 780 000	(1 735 463)	-	-	-	10 988 631	(5 112 380)	1 735 463	-	(1 116 670)	-	(4 493 587)	6 495 044
Machinery	2 198 337	205 387	(439 712)	-	-	-	1 964 012	(863 767)	389 945	-	(299 820)	1 048	(772 594)	1 191 418
Computer equipment	2 167 981	654 048	(941 454)	-	-	3 000	1 883 575	(1 581 136)	905 872	-	(263 862)	16 621	(922 505)	961 070
Learning and study material	109 614	-	(12 953)	-	-	-	96 661	(47 332)	12 953	-	(15 571)	-	(49 950)	46 711
Leased assets	866 024	144 664	(710 958)	-	-	-	299 730	(732 884)	705 867	-	(118 839)	-	(145 856)	153 874
	16 412 931	5 034 307	(4 177 930)	-	-	5 842	17 275 150	(9 826 146)	4 073 109	-	(2 068 229)	20 923	(7 800 343)	9 474 807

Appendix B

June 2017

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

Cost/Valuation	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
Total property plant and equipment														
Land and buildings	99 470 499	-	(1 772 760)	16 116 058	-	-	113 813 797	(37 344 633)	1 056 479	-	(4 329 298)	2 002 136	(38 615 316)	75 198 481
Infrastructure	107 081 322	2 278 528	(991 807)	24 922 064	-	-	133 290 107	(19 293 829)	990 220	-	(6 238 788)	4 979 277	(19 563 120)	113 726 987
Assets Under Construction	150 938 568	39 393 121	-	(41 038 122)	-	-	149 293 567	(10 475 247)	-	-	-	(3 430 090)	(13 905 337)	135 388 230
Other assets (including leased assets)	16 412 931	5 034 307	(4 177 930)	-	-	5 842	17 275 150	(9 826 146)	4 073 109	-	(2 068 229)	20 923	(7 800 343)	9 474 807
	373 903 320	46 705 956	(6 942 497)	-	-	5 842	413 672 621	(76 939 855)	6 119 808	-	(12 636 315)	3 572 246	(79 884 116)	333 788 505
Intangible assets														
Computer software	1 384 536	-	(47 010)	-	-	-	1 337 526	(926 996)	47 009	-	(180 407)	-	(1 060 394)	277 132
	1 384 536	-	(47 010)	-	-	-	1 337 526	(926 996)	47 009	-	(180 407)	-	(1 060 394)	277 132
Total	375 287 856	46 705 956	(6 989 507)	-	-	5 842	415 010 147	(77 866 851)	6 166 817	-	(12 816 722)	3 572 246	(80 944 510)	334 065 637

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation						
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Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2011

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
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Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Appendix E(1)

June 2017

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2017

	Forecast # 1 2017 Act. Bal.	Forecast # 1 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	19 507 344	20 903 751	(1 396 407)	(6.7)	Variance between actual and budget for property rates revenue earned was considered marginal.
Service charges	1 722 819	1 789 665	(66 846)	(3.7)	Variance between actual and budget for service charge revenue earned was considered marginal.
Rental of facilities and equipment	167 381	128 329	39 052	30.4	The municipality entered into an additional lease during the financial year. As a result, rental revenue recognised was greater than budgeted for.
Interest received (overdue consumer debtors)	2 444 145	2 810 193	(366 048)	(13.0)	Interest on overdue consumer debtor account balances is based on arrear debt due to the municipality as at 30 June 2017. During the year, the arrear consumer debt account balance increased by approximately 24% from 2016 (2015/16 movement: 32%). As a result, interest levied also increased.
Licences and permits	868 944	787 470	81 474	10.3	Actual licences and permit revenue recognised exceeded the budgeted amount forecast during the finalisation of the budget.
Other income	1 013 702	1 122 539	(108 837)	(9.7)	Variance between actual and budget for other revenue recognised was considered marginal.
Government grants and subsidies	169 174 062	169 128 000	46 062	-	Variance between actual and budget for government grants and subsidies recognised were considered marginal.
Fines, penalties and forfeits	267 658	283 467	(15 809)	(5.6)	Variance between actual and budget for fine revenue recognised was considered marginal.
Interest received - investment	1 662 647	1 720 397	(57 750)	(3.4)	Variance between actual and budget for interest revenue recognised was considered marginal.
	196 828 702	198 673 811	(1 845 109)	(0.9)	
Expenses					
Personnel	-	-	-	-	
Employee related costs	(73 794 887)	(66 852 893)	(6 941 994)	10.4	The municipality under budgeted for employee related costs during the finalisation of the budget for 2016/17. As a result, actual employee related costs exceeded the budget forecast.
Remuneration of councillors	(13 185 058)	(12 693 132)	(491 926)	3.9	Variance between actual and budget for remuneration paid to councillors was considered marginal.
Depreciation	(12 816 722)	(6 150 547)	(6 666 175)	108.4	During the current year the municipality completed projects amounting to R41 million (2016: R17 million). As a result, projects capitalised during 2016/17 had a corresponding increase in the provision for depreciation.
Reversal of impairment	3 572 247	-	3 572 247	-	The budget for impairment of assets has been incorporated with the budget for depreciation. The net variance between actual depreciation and impairment reversals combined, and the budget forecast was due to impairment reversals recognised on assets at year end.
Impairments	-	-	-	-	
Finance costs	(142 175)	(51 994)	(90 181)	173.4	Actual finance costs recognised for the year exceeded the budgeted forecast. This could be attributed to the change in the landfill rehabilitation provision for the year. The valuation for the landfill rehabilitation provision was performed in June 2017. Anticipated change in the provision could not be estimated during the finalisation of the budget.

Appendix E(1)

June 2017

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2017

	Forecast # 1 2017 Act. Bal.	Forecast # 1 2017 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Debt impairment	(3 976 815)	(1 760 265)	(2 216 550)	125.9	Actual debt impairment recognised for the year exceeded exceeded the budgeted forecast. Anticipated change in the provision could not be estimated during the finalisation of the budget. The contribution to debt impairment on overdue consumer debtor account balances is based on arrear debt due to the municipality as at 30 June 2017. During the year, the gross consumer debt account balance increased by approximately 24% from 2016 (2015/16 movement: 32%). The corresponding increase in the total provision for doubtful arrear debt increased by 37% (2016: 34%) whilst the contribution to the provision for doubtful arrear debts recognised was 35% (2016: 32%). As the assessment and calculation of doubtful debts was performed at year end, the budgeted contribution to debt impairment could not be reliably estimated during the finalisation of the budget.
Contracted Services	(17 132 962)	(20 734 546)	3 601 584	(17.4)	Actual expenditure recognised in respect of contracted services was within the budgeted forecast, resulted in a budgeted saving.
General Expenses	(48 958 780)	(42 697 287)	(6 261 493)	14.7	Actual expenditure recognised for the year exceeded the budgeted forecast. The anticipated expenditure for the year was not forecast during the finalisation of the budget.
Other gains or losses	(166 435 152)	(150 940 664)	(15 494 488)	10.3	
Gain or loss on disposal of assets	(820 623)	-	(820 623)	-	The municipality did not forecast for gains or losses on derecognition of assets. During the year, the municipality recognised losses on derecognition of assets that were not verified in the comparative period.
	(820 623)	-	(820 623)	-	
Net surplus/ (deficit) for the year	29 572 927	47 733 147	(18 160 220)	(38.0)	

Appendix E(2)

June 2017

Budget Analysis of Capital Expenditure as at 30 June 2017

	Additions	Final Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Capital expenditure	46 705 955	50 116 000	3 410 045	7	The municipality budgeted to spend R46 million on capital projects and related expenditure during the year. Actual capital expenditure recognised during 2016/17 was lower than the budget forecast.
	46 705 955	50 116 000	3 410 045	7	