KOUGA
local municipality
Good Governance through Service Excellence

AUDITED ANNUAL FINANCIAL STATEMENTS 2016/2017

Contents	*Page*

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2017

E Van Lingen	Executive Mayor
D Petersen	Infrastructure, Planning and Development
B Dhludhlu	Local Economic Development
B Williams	Finance
N Botha	Administration, Monitoring, Evaluation and Special Projects
D Benson	Social Services
F Baxter	Tourism and Creative Industries

AUDITOR-GENERAL

69 Frere Road, Vincent, East London, 5247
Eastern Cape

BANKERS

First National Bank
Private Bag X5
Jeffreys Bay, 6330

REGISTERED OFFICE

33 Da Gama Road	P O Box 21	Tel: (042) 200 2200
Jeffreys Bay	Jeffreys Bay	Fax: (042) 293 4204
	6330	

Webpage: www.kouga.gov.za
E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Mr. C. du Plessis

CHIEF FINANCIAL OFFICER

Mr. S Thys

GENERAL INFORMATION (continued)

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

The Objects of Local Government are:
to provide democratic and accountable government for local communities;
to ensure the provision of services to communities in a sustainable manner;
to promote social and economic development;
to promote a safe and healthy environment and
to encourage the involvement of communities and community organisations in the matters of local government

The Municipality must strive, within its financial and administrative capacity, to achieve the objects as set out above.

JURISDICTION

Greater Kouga area which includes:

Humansdorp
St Francis Bay, Cape St Francis, Oyster Bay
Hankey, Jeffreys Bay, Loerie
Patensie, Thornhill

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Mayoni	Z
2	Meleni	T
3	Gertenbach	W
4	Campher	F
5	Petersen	D
6	Vumazonke	L
7	Februarie	C
8	Vorster	L
9	Jujwana	S
10	Mabukane	A
11	Bornman	H
12	Rheeder	B
13	Peters	M
14	Mandeka	S
15	Hendricks	H
Proportional	Biggs	D
Proportional	Camelio-Benjamin	V
Proportional	Carstens	A
Proportional	Dayimani	M
Proportional	Louw	F
Proportional	Matroos	C
Proportional	Nkomo	A
Proportional	Nkwalase	P
Proportional	Botha	N
Proportional	Dhludhlu	B
Proportional	Benson	D
Proportional	Petersen	D
Proportional	Williams	B
Proportional	Baxter	F
	Van Lingen	E

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in accordance with Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

Mr. C du Plessis
Municipal Manager

Date

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	Actual 2017 R	2016 Restated R
ASSETS			
Current Assets		**174 240 342**	**166 406 095**
Inventories	2	4 952 364	5 433 903
Receivables from Exchange Transactions	3	42 558 781	48 615 571
Receivables from Non-exchange Transactions	4	30 901 952	29 119 413
VAT Receivable	5	11 288 813	4 381 953
Cash and Cash Equivalents	6	84 253 706	78 573 452
Operating Lease Receivables	7	281 727	278 803
Current Portion of Long-term Receivables	8	3 000	3 000
Non-Current Assets		**2 296 002 650**	**2 313 563 113**
Property, Plant and Equipment	9	2 010 676 430	2 028 049 683
Intangible Assets	10	62 225	146 585
Investment Property	11	285 199 244	285 199 244
Long-term Receivables	12	64 751	167 601
Total Assets		**2 470 242 993**	**2 479 969 209**
LIABILITIES			
Current Liabilities		**179 777 118**	**194 052 166**
Consumer Deposits	13	10 273 091	9 590 330
Provisions	14	22 644 269	22 109 217
Payables from Exchange Transactions	15	115 326 930	130 621 914
Payables from Non-exchange Transactions	16	16 206 204	16 153 347
Unspent Conditional Grants and Receipts	17	6 726 723	7 841 525
Current Portion of Long-term Liabilities	19	8 599 901	7 735 833
Non-Current Liabilities		**187 477 006**	**187 431 393**
Long-term Liabilities	19	32 567 197	37 504 424
Employee Benefit Liabilities	20	92 444 000	91 046 000
Non-current Provisions	21	62 465 810	58 880 970
Total Liabilities		**367 254 124**	**381 483 560**
Total Assets and Liabilities		**2 102 988 869**	**2 098 485 649**
NET ASSETS		**2 102 988 868**	**2 098 485 648**
Accumulated Surplus / (Deficit)	22	2 102 988 868	2 098 485 648
Total Net Assets		**2 102 988 868**	**2 098 485 648**

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	2016 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	**23**	148 074 778	135 339 445
Fines	**24**	10 551 532	9 798 101
Licences and Permits	**25**	6 877 409	6 065 570
Government Grants and Subsidies Received	**26**	144 304 831	168 177 211
Public Contributions and Donations	**27**	4 000	118 424
Revenue from Exchange Transactions			
Service Charges	**28**	337 383 571	326 545 507
Rental of Facilities and Equipment	**29**	1 505 650	744 348
Interest Earned - External Investments	**30**	7 776 128	5 031 308
Interest Earned - Outstanding Debtors	**30**	8 144 334	3 306 788
Operational Revenue	**31**	12 566 040	10 682 545
Gains on Disposal of Property, Plant and Equipment	**42**	-	26 553
Total Revenue		**677 188 273**	**665 835 801**
EXPENDITURE			
Employee Related Costs	**32**	228 043 152	228 746 553
Remuneration of Councillors	**33**	11 101 213	10 513 662
Depreciation and Amortisation	**34**	71 047 034	63 847 326
Impairment Losses	**35**	24 779 495	22 593 439
Repairs and Maintenance	**36**	34 087 476	29 615 905
Finance Costs	**37**	15 490 893	9 127 512
Bulk Purchases	**38**	220 618 051	204 008 829
Contracted Services	**39**	13 293 251	10 799 341
Grants and Subsidies Paid	**40**	1 080 000	196 000
Operational Costs	**41**	51 086 065	39 909 115
Loss on Disposal of Property, Plant and Equipment	**42**	2 058 422	-
Total Expenditure		**672 685 052**	**619 357 681**
SURPLUS / (DEFICIT) FOR THE YEAR		**4 503 220**	**46 478 120**

Refer to Budget Statement for explanation of budget variances

KOUGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2016		
Balance at 30 June 2015	2 386 776 416	2 386 776 416
Correction of Error (Note 43)	(334 768 888)	(334 768 888)
Restated Balance at 30 June 2015	**2 052 007 528**	**2 052 007 528**
Adjusted Surplus for the year (Note 43)	46 478 120	46 478 120
Restated Balance at 30 June 2016	**2 098 485 648**	**2 098 485 648**
2017		
Surplus for the year	4 503 220	4 503 220
Balance at 30 June 2017	**2 102 988 868**	**2 102 988 868**

Details on the movement of the Funds and Reserves are set out in Note 43.

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	2016 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	**23**	146 874 362	136 512 147
Government Grant and Subsidies	**26**	143 190 028	170 188 377
Public Contributions and Donations	**27**	4 000	118 424
Service Charges	**28**	332 108 911	315 082 919
Interest Received	**30**	12 426 187	7 098 634
Other Receipts	**31**	22 703 157	18 769 442
Payments			
Employee Related Costs	**32**	(225 559 444)	(220 948 435)
Remuneration of Councillors	**33**	(11 101 213)	(10 513 662)
Interest Paid	**37**	(5 870 158)	(2 671 253)
Suppliers Paid	**38**	(276 425 833)	(217 990 668)
Contracted Services	**39**	(13 293 251)	(10 799 341)
Grants and Subsidies Paid	**40**	(1 080 000)	(196 000)
Other Payments	**41**	(51 877 918)	(14 691 912)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**72 098 828**	**169 958 673**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**9**	(52 124 626)	(109 546 971)
Purchase of Intangible Assets	**10**	-	(57 982)
Proceeds on Disposal of Property, Plant and Equipment	**42**	-	252 159
Decrease / (Increase) in Long-term Receivables	**12**	14 371	7 743
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(52 110 255)**	**(109 345 050)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(14 308 318)	(21 722 349)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(14 308 318)**	**(21 722 349)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**5 680 254**	**38 891 273**
Cash and Cash Equivalents at Beginning of Period	**5**	78 573 452	39 682 179
Cash and Cash Equivalents at End of Period	**6**	84 253 706	78 573 452

KOUGA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	4 844 996	-	4 844 996	4 844 996	4 952 364	107 368	102,22	102,22
Receivables from Exchange Transactions	49 675 240	5 566 634	55 241 874	55 241 874	42 558 781	(12 683 093)	77,04	85,67
Receivables from Non-exchange Transactions	43 667 818	(19 018 467)	24 649 351	24 649 351	30 901 952	6 252 601	125,37	70,77
VAT Receivable	-	-	-	-	11 288 813	11 288 813	0.00	0.00
Cash and Cash Equivalents	29 044 947	39 203 848	68 248 795	68 248 795	84 253 706	16 004 911	123,45	290,08
Operating Lease Receivables	-	-	-	-	281 727	281 727	0.00	0.00
Current Portion of Long-term Receivables	8 207	-	8 207	8 207	3 000	(5 207)	36,56	36,56
		-						
Non-Current Assets		-						
Property, Plant and Equipment	2 649 006 198	5 316 718	2 654 322 915	2 654 322 915	2 010 676 430	(643 646 485)	75,75	75,90
Intangible Assets	100 970	-	100 970	100 970	62 225	(38 745)	61,63	61,63
Investment Property	63 704 539	-	63 704 539	63 704 539	285 199 244	221 494 706	447,69	447,69
Long-term Receivables	113 144	51 509	164 653	164 653	64 751	(99 902)	39,33	57,23
Total Assets	2 840 166 058	31 120 242	2 871 286 300	2 871 286 300	2 470 242 993	(401 043 307)	86,03	86,98
Current Liabilities								
Consumer Deposits	9 329 629	-	9 329 629	9 329 629	10 273 091	943 462	110,11	110,11
Provisions	29 995 284	-	29 995 284	29 995 284	22 644 269	(7 351 015)	75,49	75,49
Payables from Exchange Transactions	94 112 731	15 007 186	109 119 917	109 119 917	115 326 930	6 207 013	105,69	122,54
Payables from Non-exchange Transactions	-	-	-	-	16 206 204	16 206 204	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	6 726 723	6 726 723	0.00	0.00
Current Portion of Long-term Liabilities	7 302 537	-	7 302 537	7 302 537	8 599 901	1 297 364	117,77	117,77
Non-Current Liabilities								
Long-term Liabilities	36 733 750	-	36 733 750	36 733 750	32 567 197	(4 166 553)	88,66	88,66
Retirement Benefit Liabilities	100 661 614	-	100 661 614	100 661 614	92 444 000	(8 217 615)	91,84	91,84
Non-current Provisions	-	-	-	-	62 465 810	62 465 810	0.00	0.00
Total Liabilities	278 135 546	15 007 186	293 142 732	293 142 732	367 254 124	74 111 392	125,28	132,04
Total Assets and Liabilities	**2 562 030 512**	**16 113 056**	**2 578 143 568**	**2 578 143 568**	**2 102 988 869**	**(475 154 699)**	**81,57**	**82,08**
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	2 562 030 512	16 113 056	2 578 143 568	2 578 143 568	2 102 988 868	(475 154 700)	81,57	82,08
Total Net Assets	**2 562 030 512**	**16 113 056**	**2 578 143 568**	**2 578 143 568**	**2 102 988 868**	**(475 154 700)**	**81,57**	**82,08**

Financial Position: Explanation of Variances between the Approved Budget and Actual

Reasons for Variances greater than 10% between the Approved Budget and Actual Amounts on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for and restatement done in terms of GRAP 23.

Receivables from Non-exchange Transactions:

It has been under-budgeted for Assesment Rates Receivables.

VAT Receivable:

NT Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

Capital expenditure budgeted for, not realised.

Operating Lease Reveivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

It has been over-budgeted for Arrangement Debtors.

Property, Plant and Equipment:

It has been over-budgeted for new capital expenditure. Furthermore, some PPE assets reclassified to Investment Property.

Intangible Assets:

Capital expenditure budgeted for, did not realise.

Investment Property:

Property Plant and Equipment reclassified as Investment Property during the compilation of the Annual Financial Statements.

Long-term Receivables:

It was over-budgeted for Arrangement Debtors.

Provisions:

It was over-budgeted for Performance Bonuses, Post Retirement Medical Aid Benefit Liability and Long Service Liability.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was budgeted for Conditional Grants and Receipts to be fully spent at year-end.

Current Portion of Long-term Liabilities:

Current Portion of Long-Term Liabilities include landfill provision liability not budgeted for.

Long-term Liabilities:

It was over-budgeted for Long-Term Liabilities.

Non-current Provisions:

No budget Provision was made for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Accumulated Surplus / (Deficit):

It was over-budgeted for Accumulated Surplus.

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	148 563 488	107 773	148 671 261	148 671 261	148 074 778	(596 483)	99,60	99,67
Fines	3 085 695	373 682	3 459 377	3 459 377	10 551 532	7 092 155	305,01	341,95
Licences and Permits	9 086 136	(1 036 119)	8 050 017	8 050 017	6 877 409	(1 172 608)	85,43	75,69
Government Grants and Subsidies Received	100 681 408	322 300	101 003 708	101 003 708	106 925 949	5 922 240	105,86	106,20
Public Contributions and Donations	-	-	-	-	4 000	4 000	0.00	0.00
Revenue from Exchange Transactions								
Service Charges	356 823 910	(5 369 253)	351 454 658	351 454 658	337 383 571	(14 071 087)	96,00	94,55
Rental of Facilities and Equipment	590 630	609 734	1 200 364	1 200 364	1 505 650	305 286	125,43	254,92
Interest Earned - External Investments	3 000 000	3 787 662	6 787 662	6 787 662	7 776 128	988 466	114,56	259,20
Interest Earned - Outstanding Debtors	4 500 000	3 036 296	7 536 296	7 536 296	8 144 334	608 038	108,07	180,99
Operational Revenue	10 842 980	389 825	11 232 805	11 232 805	12 566 040	1 333 235	111,87	115,89
Total Revenue	637 174 247	2 221 900	639 396 148	639 396 148	639 809 391	413 243	100,06	100,41
Expenditure								
Employee Related Costs	233 201 498	(3 835 211)	229 366 288	229 366 288	228 043 152	(1 323 136)	99,42	97,79
Remuneration of Councillors	11 003 887	(86 578)	10 917 309	10 917 309	11 101 213	183 904	101,68	100,88
Depreciation and Amortisation	83 123 169	(1)	83 123 168	83 123 168	71 047 034	(12 076 134)	85,47	85,47
Impairment Losses	30 323 244	(315 689)	30 007 555	30 007 555	24 779 495	(5 228 060)	82,58	81,72
Repairs and Maintenance	35 999 395	(2 806 193)	33 193 202	33 193 202	34 087 476	894 275	102,69	94,69
Finance Costs	4 462 808	0	4 462 808	4 462 808	15 490 893	11 028 085	347,11	347,11
Bulk Purchases	207 393 791	14 481 492	221 875 282	221 875 282	220 618 051	(1 257 231)	99,43	106,38
Contracted Services	12 536 751	1 994 174	14 530 925	14 530 925	13 293 251	(1 237 674)	91,48	106,03
Grants and Subsidies Paid	580 000	500 000	1 080 000	1 080 000	1 080 000	-	100,00	186,21
Operational Costs	67 731 981	(748 999)	66 982 982	66 982 982	51 086 065	(15 896 916)	76,27	75,42
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	2 058 422	2 058 422	0.00	0.00
Total Expenditure	686 356 523	9 182 995	695 539 518	695 539 518	672 685 052	(22 854 465)	96,71	98,01
Surplus/(Deficit)	(49 182 275)	(6 961 095)	(56 143 370)	(56 143 370)	(32 875 662)	23 267 708	0.00	0.00
Transfers Recognised - Capital	38 383 347	-	38 383 347	38 383 347	37 378 882	(1 004 465)	97,38	97,38
Surplus/(Deficit for the Year	**(10 798 928)**	**(6 961 095)**	**(17 760 023)**	**(17 760 023)**	**4 503 220**	**22 263 243**	**-**	**-**

Financial Performance: Explanation of Variances between the Approved Budget and Actual

Reasons for Variances greater than 10% between the Approved Budget and Actual Amounts on the various items disclosed in the Statement of Financial Performance are explained below:

Fines:

Fines mostly relate to traffic fines and arise from unanticipated traffic enfringements

Licences and Permits:

Licences and Permits mostly relate to motor registration and is influenced by the extent of vehicle registrations.

Public Contributions and Donations:

Public Contributions and Donations relate to various donations made by public to the municipality and are mostly unanticipated.

Rental of Facilities and Equipment:

Rental of facilities and equipment relates to the rental of municipal buildings, community halls and other municipal facilities.

Interest Earned - External Investments:

Interest earnings are influenced by the extent of the municipality's investment portfolio.

Operational Revenue:

revenue.

Depreciation and Amortisation:

Depreciation and Amortisation is below budget due to reclassification of Property Plant and Equipment and Investment Property between owner occupied and leased properties. Furthermore, the depreciation for Infrastructure Assets and WIP was revised to reflect the carrying values as per Asset Register.

Impairment Losses:

It was over-budgeted for Impairment Losses on Receivables.

Finance Costs:

Interest and Penalties on late payments made were not budgeted for.

Operational Costs:

Operational Costs relate to the running costs of the municipality, such as printing and stationery, electricity and water consumption, telephone etc. These costs are influenced by the implementation of cost containment measures and budget related internal controls.

Loss on Disposal of Property, Plant and Equipment:

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION								
Executive and Council	30 000	-	30 000	30 000	21 901	(8 099)	73,00	73,00
Financial Services	670 200	226 000	896 200	896 200	214 555	(681 645)	23,94	32,01
Administration, Monitoring and Evaluation	675 000	-	675 000	675 000	196 528	(478 472)	29,12	29,12
Led, Tourism and Creative Industries	1 470 485	(675 065)	795 420	795 420	497 856	(297 564)	62,59	33,86
Infrastructure, Planning and Development	39 581 407	10 927 238	50 508 645	50 508 645	47 688 360	(2 820 284)	94,42	120,48
Social Services	20 641 455	(5 161 455)	15 480 000	15 480 000	1 246 709	(14 233 291)	8,05	6,04
Total Capital Expenditure	**63 068 547**	**5 316 718**	**68 385 265**	**68 385 265**	**49 865 910**	**(18 519 355)**	**72,92**	**79,07**

Capital Expendirure per Function: Explanation of Variances between the Approved Budget and Actual

Reasons for Variances greater than 10% between the Approved Budget and Actual Amounts on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

The underspending on capital budget for Executive and Council was due to lack of planning and the budget had to be forfeited.

Budget and Treasury Office:

Project relates to the acquisition of light delivery vehicle, with budget rolled over to 2017/18 for implementation of the project. The budget rollover was approved by Council on 1 August 2017.

Administration, Monitoring and Evaluation

The underspending on capital budget for Administration, Monitoring and Evaluation was due to lack of planning and the budget had to be forfeited.

Led, Tourism and Creative Industries

Project relates to the renovations of Kouga Cultural Centre, with budget rolled over to 2017/18 for implementation of the project. The budget rollover was approved by Council on 31 August 2017.

Social Services

Projects relate to the acquisition of two 21 m^3 refuse compactor trucks, two mesh trucks, tables and chairs, skip bins, and skip truck, with the budget rolled over to 2017/18 for implementation of the projects. The budget rollovers were approved by Council on 1 August 2017 and 31 August 2017, respectively.

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	139 649 679	101 307	139 750 986	139 750 986	146 874 362	7 123 376	105,10%	105,17
Grants	139 064 755	322 300	139 387 055	139 387 055	143 190 028	3 802 973	102,73%	102,97
Public Contributions and Donations	-	-	-	-	4 000	4 000	0,00%	0.00
Service Charges	335 414 476	(5 047 098)	330 367 378	330 367 378	332 108 911	1 741 533	100,53%	99,01
Interest Received	7 500 000	6 823 958	14 323 958	14 323 958	12 426 187	(1 897 771)	86,75%	165,68
Other Receipts	23 605 441	337 122	23 942 563	23 942 563	22 703 157	(1 239 406)	94,82%	96,18
Employee Related Costs	(233 201 498)	3 835 211	(229 366 288)	(229 366 288)	(225 559 444)	3 806 844	98,34%	0.00
Remuneration of Councillors	(11 003 887)	86 578	(10 917 309)	(10 917 309)	(11 101 213)	(183 904)	101,68%	0.00
Interest Paid	(4 462 808)	-	(4 462 808)	(4 462 808)	(5 870 158)	(1 407 350)	131,54%	0.00
Suppliers Paid	(336 778 668)	(15 414 647)	(352 193 315)	(352 193 315)	(276 425 833)	75 767 482	78,49%	0.00
Contracted Services	12 536 751	1 994 174	14 530 925	14 530 925	(13 293 251)	1 237 674	-91,48%	
Grants and Subsidies Paid	580 000	500 000	1 080 000	1 080 000	(1 080 000)	-	-100,00%	
Other Payments	(580 000)	(500 000)	(1 080 000)	(1 080 000)	(51 877 918)	(50 797 918)	4803,51%	0.00
VAT Receivable / Payable	-	-	-	-	-	-	0,00%	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(63 068 547)	(5 316 718)	(68 385 265)	(68 385 265)	(52 124 626)	16 260 638	76,22%	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	14 371	14 371	0,00%	0.00
Cash Flows from/(used in) Financing Activities								
Loans repaid	(7 302 537)	-	(7 302 537)	(7 302 537)	(14 308 318)	(7 005 781)	195,94%	0.00
Cash and Cash Equivalents at End of the Year	**1 953 156**	**(12 277 813)**	**(10 324 657)**	**(10 324 657)**	**5 680 254**	**47 226 760**	**-55,02%**	**290,82**

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Interest Received

overdue amount.

Other Receipts

Not all Other Receipts were taken into consideration in the budgeted amount.

Interest Paid

It was not budgeted for Interest and Penalties on late payments made.

Suppliers Paid

Suppliers Paid include various payments to creditors, outstanding payables from prior year were not budgeted for.

Other Payments

Suppliers Paid include various payments to creditors, outstanding payables from prior year were not budgeted for.

Vat Payable

It was not budgeted for Vat payable.

Purchase of Property, Plant and Equipment:

Purchase of Property, Plant and Equipment is influenced by Infrastructure projects (WIP) from prior years, capitalised during the year.

Loans repaid:

It was over-budgeted for Long-Term Liabilities.

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

(a) Is required by a Standard of GRAP; or
(b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Statements

1.2.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
  The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

  The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 12 to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 5.2 and 6.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The assessment and considerations of useful lives are set out in Accounting Policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 10.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Heritage Assets, Intangible Assets and Investment Property are disclosed in Notes 2, 9, 10 and 11 to the Annual Financial Statements, if applicable.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 10.2.2 .

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis* .

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* .

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.1.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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 year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance.

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			**Community**	
	Improvements	5 - 50		Community Facilities	5 - 50
				Recreational Facilities	10 - 40
	Infrastructure				
	Electricity	10 - 80		**Other**	
	Railways	30		Computer Equipment	3 - 10
	Roads and Paving	5 - 80		Emergency Equipment	5 - 10
	Sanitation	5 - 80		Furniture and Fittings	5 - 15
	Sewerage / Solid Waste	5 - 80		Motor Vehicles	7 - 15
	Water	5 - 80		Office Equipment	3 - 15
	Landfill Sites	30 - 50		Plant and Equipment	2 - 20
				Other Assets	5 - 15

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is 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 item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

4.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance.

4.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition

The carrying amount of an item of Heritage Assets is 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 item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

(a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
(b) Management intends to complete the Intangible Asset and use or sell it;
(c) There is an ability to use or sell the Intangible Asset;
(d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
(e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
(f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance.

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software Purchased	3 - 5			

The assets' residual values, estimated useful lives and amortisation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

5.3 Derecognition

Intangible Assets 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 on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
(b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
(c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
(d) A property owned by the municipality and leased out at a below market rental; and
(e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

(a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
(b) Property being constructed or developed on behalf of third parties;
(c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
(d) Property that is leased to another entity under a finance lease;
(e) Property held to provide goods and services and also generates cash inflows; and
(f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

6.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 50 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets* . All other assets are classified as *Non-cash Generating Assets* .

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over their estimated useful lives.

The useful live of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful live of an asset has changed. If any such indication exists, the useful live is changed.

Any change in the useful live is accounted for as Change in Estimate in accordance with GRAP 3 (Accounting Policies, Change in Accounting Estimates and Errors).

Annually the municipality considers whether there is any indication that the initial useful lives of assets need to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

(a) The composition of the asset has changed.

(b) The use of the asset has changed because of the following:

(i) The municipality has changed the manner in which the asset is used;

(ii) The municipality has changed the utilisation rate of the asset;

(iii) The municipality has made the decision to dispose of the asset during a future reporting reporting period which results in a change in the useful life of the asset;

(iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset; and

(v) The asset was idle or retired during the current reporting period.

(c) The asset is approaching its previously expected useful life.

(d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.

(e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets* , *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Amortised Cost
Amortised Cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

9.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  (i) Derivatives;
  (ii) Combined instruments that are designated at fair value;
  (iii) Instruments held for trading;
  (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

(i) Financial Liabilities measured at Fair Value;
(ii) Financial Liabilities measured at Amortised Cost; or
(iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Financial Assets measured at Amortised Cost
Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis* .

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost* .

Financial Assets measured at Fair Value
Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

9.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value
Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost
Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method* . Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9.4.2 Financial Assets 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 shall not be reversed.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

10. INVENTORIES

10.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

10.2 Subsequent Measurement

10.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the *Weighted average cost* of commodities.

Inventories distributed through a non-exchange transaction and those consumed in the production process of goods to be distributed at no or nominal cost are subsequently measured at the lower of cost and current replacement cost.

10.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

10.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

10.2.4 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

11.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.7 Sale of Goods (including Houses)

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

(a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Public Contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method* , incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method* . The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method* . Finance costs are expensed when incurred.

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis* , except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

15. GRANTS-IN-AID

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

(a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
(b) Expect to be repaid in future; or
(c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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.

18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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.

20. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the F*irst-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

C**hanges in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

25. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

27.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

	2017	2016
	R	R

1. GENERAL INFORMATION

Kouga Municipality is a local government institution in Jeffrey's Bay, Eastern Cape, and is one of seven local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2017 R	2016 R
Consumable Stores	4 564 953	5 071 064
Water	429 688	382 425
Less Provision for obsolete stock	(42 278)	(19 587)
Total Inventories	**4 952 364**	**5 433 903**

Inventories are held for own use and measured at the lower of Cost and net realisable value (net amount that the municipality expects to realise from the sale of Inventory in the ordinary course of business). No write downs of Inventory to Net Realisable Value were required.

Water Inventory

Inventories are valued at the lower of cost and net reasisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2017	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Service Debtors:	99 863 814	72 653 101	27 210 713
Electricity	28 710 600	10 170 542	18 540 058
Refuse	18 214 918	17 660 705	554 213
Sewerage	16 320 975	14 148 549	2 172 425
Water	36 617 321	30 673 305	5 944 016
Other Receivables	24 670 075	9 322 007	15 348 068
Total Receivables from Exchange Transactions	**124 533 889**	**81 975 109**	**42 558 781**

As at 30 June 2016	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Service Debtors:	97 962 876	63 942 439	34 020 437
Electricity	34 093 546	9 381 519	24 712 027
Refuse	16 386 447	15 362 768	1 023 679
Sewerage	14 712 310	12 171 368	2 540 942
Water	32 770 575	27 026 785	5 743 790
Other Receivables	23 581 396	8 986 262	14 595 134
Total Receivables from Exchange Transactions	**121 544 273**	**72 928 701**	**48 615 571**

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2017, the municipality was owed R1 778 475 (30 June 2016: R1 440 016) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

	2017	2016
	R	R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	15 378 666	2 109 615	1 037 225	10 185 093	28 710 600
Less: Provision for Impairment					10 170 542
Net Balances	**15 378 666**	**2 109 615**	**1 037 225**	**10 185 093**	**18 540 058**
Refuse:					
Gross Balances	2 204 071	600 932	443 941	14 965 974	18 214 918
Less: Provision for Impairment					17 660 705
Net Balances	**2 204 071**	**600 932**	**443 941**	**14 965 974**	**554 213**
Sewerage:					
Gross Balances	2 733 774	739 630	540 450	12 307 122	16 320 975
Less: Provision for Impairment					14 148 549
Net Balances	**2 733 774**	**739 630**	**540 450**	**12 307 122**	**2 172 425**
Water:					
Gross Balances	8 003 476	1 227 251	1 035 371	26 351 223	36 617 321
Less: Provision for Impairment					30 673 305
Net Balances	**8 003 476**	**1 227 251**	**1 035 371**	**26 351 223**	**5 944 016**
Other Receivables:					
Gross Balances	14 834 708	316 419	200 104	9 318 876	24 670 075
Less: Provision for Impairment					9 322 007
Net Balances	**14 834 708**	**316 419**	**200 104**	**9 318 876**	**15 348 068**

As at 30 June 2017 Receivables of R42 558 780 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	43 154 695	4 993 847	3 257 090	43 154 664	124 533 889
Less: Provision for Impairment	-	-	-	-	81 975 109
Net Balances	**43 154 695**	**4 993 847**	**3 257 090**	**43 154 664**	**42 558 780**

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	23 628 295	932 175	588 239	8 944 836	34 093 546
Less: Provision for Impairment					9 381 519
Net Balances	**23 628 295**	**932 175**	**588 239**	**8 944 836**	**24 712 027**
Refuse:					
Gross Balances	2 636 726	421 381	352 203	12 976 137	16 386 447
Less: Provision for Impairment					15 362 768
Net Balances	**2 636 726**	**421 381**	**352 203**	**12 976 137**	**1 023 679**
Sewerage:					
Gross Balances	3 495 163	474 126	347 982	10 395 038	14 712 310
Less: Provision for Impairment					12 171 368
Net Balances	**3 495 163**	**474 126**	**347 982**	**10 395 038**	**2 540 942**

				2017	2016
				R	R

Water:					
Gross Balances	8 106 526	888 165	707 312	23 068 572	32 770 575
Less: Provision for Impairment					27 026 785
Net Balances	**8 106 526**	**888 165**	**707 312**	**23 068 572**	**5 743 790**
Other Receivables:					
Gross Balances	14 745 723	214 252	238 636	8 382 785	23 581 395
Less: Provision for Impairment					8 986 262
Net Balances	**14 745 723**	**214 252**	**238 636**	**8 382 785**	**14 595 133**

As at 30 June 2016 Receivables of R48 615 571 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	52 612 432	2 930 100	2 234 372	63 767 368	121 544 272
Less: Provision for Impairment	-	-	-	-	72 928 701
Net Balances	**52 612 432**	**2 930 100**	**2 234 372**	**63 767 368**	**48 615 571**

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	**Industrial/ Commercial**	**National and Provincial Government**	**Other**
	R	**R**	**R**	**R**
As at 30 June 2017				
<u>Current:</u>				
0 - 30 days	25 125 126	5 520 878	401 150	346 459
<u>Past Due:</u>				
31 - 60 Days	4 536 466	743 745	304 836	56 741
61 - 90 Days	3 005 555	331 354	350 968	23 524
+ 90 Days	68 935 058	3 073 518	721 522	11 056 990
Sub-total	101 602 205	9 669 496	1 778 475	11 483 713
Less: Provision for Impairment	72 738 522	3 404 872	-	5 831 715
Total Trade Receivables by Customer Classification	**28 863 683**	**6 264 624**	**1 778 475**	**5 651 998**

	Household	**Industrial/ Commercial**	**National and Provincial Government**	**Other**
	R	**R**	**R**	**R**
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	34 560 478	6 592 976	779 643	1 028 879
<u>Past Due:</u>				
31 - 60 Days	2 691 982	418 017	147 539	82 776
61 - 90 Days	2 033 558	293 689	77 025	142 911
+ 90 Days	58 230 328	2 663 541	435 809	11 365 122
Sub-total	97 516 346	9 968 224	1 440 016	12 619 688
Less: Provision for Impairment	62 023 150	2 957 230	-	7 948 322
Total Trade Receivables by Customer Classification	**35 493 196**	**7 010 993**	**1 440 016**	**4 671 366**

	2017	**2016**
	R	**R**
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	72 928 701	65 597 507
Impairment Losses recognised	15 171 963	8 908 163
Amounts written off as uncollectable	(6 125 555)	(1 576 969)
Balance at end of year	**81 975 109**	**72 928 701**

	2017	2016
	R	R

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Assessment Rates Debtors	35 163 570	17 589 394	17 574 176
Staff Debtors	(4 898)	-	(4 898)
Sundry Debtors	25 003 940	11 672 617	13 331 323
Other Control Accounts	1 350	-	1 350
Total Receivables from Non-exchange Transactions	**60 163 963**	**29 262 011**	**30 901 952**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Assessment Rates Debtors	35 572 295	18 527 749	17 044 546
Staff Debtors	30 830	-	30 830
Sundry Debtors	19 054 142	7 011 455	12 042 687
Other Control Accounts	1 350		1 350
Total Receivables from Non-exchange Transactions	**54 658 617**	**25 539 204**	**29 119 413**

Sundry Debtors are in respect of balances outstanding at year-end on normal business transactions entered into by the municipality.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	6 261 777	1 241 192	742 313	26 918 289	35 163 570
Less: Provision for Impairment	3 132 235	620 863	371 316	13 464 981	17 589 394
Net Balances	**3 129 542**	**620 329**	**370 997**	**13 453 403**	**17 574 176**
Sundry Deposits:					
Gross Balances	(4 898)	-	-	-	(4 898)
Net Balances	**(4 898)**	**-**	**-**	**-**	**(4 898)**

				2017 R	2016 R

Sundry Debtors:					
Gross Balances	25 003 940	-	-	-	25 003 940
	11672617				11 672 617
Net Balances	**13 331 323**	**-**	**-**	**-**	**13 331 323**
Other Control Accounts:					
Gross Balances	1 350	-	-	-	1 350
Net Balances	**1 350**	**-**	**-**	**-**	**1 350**

As at 30 June 2017 Receivables of R14 444 634 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	1 241 192	742 313	26 918 289	28 901 793
Less: Provision for Impairment	620 863	371 316	13 464 981	14 457 159
Net Balances	**620 329**	**370 997**	**13 453 308**	**14 444 634**

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	5 422 743	1 693 521	622 226	27 833 805	35 572 295
Less: Provision for Impairment					18 527 749
Net Balances	**5 422 743**	**1 693 521**	**622 226**	**27 833 805**	**17 044 546**
Sundry Deposits:					
Gross Balances	30 830	-	-	-	30 830
Net Balances	**30 830**	**-**	**-**	**-**	**30 830**
Sundry Debtors:					
Gross Balances	19 054 142	-	-	-	19 054 142
Less: Provision for Impairment	7 011 455	-	-	-	7 011 455
Net Balances	**12 042 687**	**-**	**-**	**-**	**12 042 687**
Suspense Accounts:					
Gross Balances	1 350	-	-	-	1 350
Net Balances	**1 350**	**-**	**-**	**-**	**1 350**

As at 30 June 2016 Receivables of R30 149 552 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	1 693 521	622 226	27 833 805	30 149 552
				18 527 749
Net Balances	**1 693 521**	**622 226**	**27 833 805**	**30 149 552**

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2017				
<u>*Current:*</u>				
0 - 30 days	5 694 352	550 023	371	16 936
<u>*Past Due:*</u>				
31 - 60 Days	1 150 005	84 848	371	5 968
61 - 90 Days	679 169	57 779	371	4 995
+ 90 Days	4 952 442	473 900	1 249 889	20 242 153
Sub-total	12 475 968	1 166 549	1 251 000	20 270 053
Less: Provision for Impairment	6 853 091	531 679	-	10 204 625
Total Rates Debtors by Customer Classification	**5 622 877**	**634 871**	**1 251 000**	**10 065 428**

			2017 R	2016 R

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2016				
Current:				
0 - 30 days	6 629 721	637 054	156 123	684 064
Past Due:				
31 - 60 Days	616 134	56 952	334	36 086
61 - 90 Days	426 258	37 262	334	29 441
+ 90 Days	4 357 755	790 724	1 102 812	20 013 242
Sub-total	12 029 868	1 521 992	1 259 603	20 762 833
Less: Provision for Impairment	4 933 404	827 987	-	12 768 359
Total Rates Debtors by Customer Classification	**7 096 464**	**694 005**	**1 259 603**	**7 994 474**

4.3 Reconciliation of Provision for Impairment

	2017 R	2016 R
Balance at beginning of year	25 539 204	17 217 959
Impairment Losses recognised	8 551 877	13 685 277
Amounts written off as uncollectable	(4 829 070)	(5 364 031)
Balance at end of year	**29 262 011**	**25 539 205**

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

5. VAT RECEIVABLE

	2017 R	2016 R
Vat Receivable	**11 288 813**	**4 381 953**

Vat is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

	2017 R	2016 R
Current Investments	78 566 856	75 798 167
Bank Accounts	5 694 930	2 783 364
Cash and Cash Equivalents	(8 079)	(8 079)
Total Bank, Cash and Cash Equivalents	**84 253 706**	**78 573 452**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments..

6.1 Current Investment Deposits

	2017 R	2016 R
Call Deposits	78 566 856	75 798 167
Total Current Investment Deposits	**78 566 856**	**75 798 167**

	2017 R	2016 R

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 6,25 % to 6,85 % (2016: 5,25% to 6,85%) per annum.

Deposits attributable to General Investments	71 159 248	68 767 655
Deposits attributable to Unspent Conditional Grants	7 407 608	7 030 512
Total Deposits attributable to Commitments of the Municipality	**78 566 856**	**75 798 167**

6.2 Bank Accounts

Cash in Bank	5 694 930	2 783 364
Total Bank Accounts	**5 694 930**	**2 783 364**

The Municipality has the following bank accounts:

Primary Bank Account

Cash book balance at beginning of year	2 783 364	2 903 276
Cash book balance at end of year	5 694 930	2 783 364
First National Bank - Jeffreys bay Branch-Account Number: 52540020791		
Bank statement balance at beginning of year	2 037 926	945 422
Bank statement balance at end of year	783 359	2 037 926
First National Bank - Jeffreys bay Branch-Account Number: 52540033304		
Bank statement balance at beginning of year	525 179	1 544 947
Bank statement balance at end of year	4 648 585	525 179

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

Cash Floats and Advances	(8 079)	(8 079)
Total Cash on hand in Cash Floats, Advances and Equivalents	**(8 079)**	**(8 079)**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	278 803	249 227
Operating Lease Revenue recorded	2 924	29 576
Total Operating Lease Receivables	**281 727**	**278 803**

7.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	472 278	459 174
2 to 5 years	1 716 525	1 656 288
More than 5 years	238 334	654 479
Total Operating Lease Arrangements	**2 427 136**	**2 769 940**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R2 924 (2016: increase of R29 576) in current year income.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Other Loans	3 000	3 000
Total Current Portion of Long-term Receivables	**3 000**	**3 000**

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2017

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Other	Leased Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2016	**315 374 427**	**1 688 931 026**	**21 375 101**	**2 369 128**	**2 028 049 683**
Cost	329 516 685	2 091 088 382	68 018 909	10 266 721	2 498 890 697
- *Completed Assets*	*329 516 685*	*1 963 799 419*	*68 018 909*	*10 266 721*	*2 371 601 735*
- *Under Construction*	-	*127 288 963*	-	-	*127 288 963*
Accumulated Depreciation:	(14 142 258)	(402 157 356)	(46 643 808)	(7 897 593)	(470 841 015)
- *Cost*	*(14 142 258)*	*(402 157 356)*	*(46 643 808)*	*(7 897 593)*	*(470 841 015)*
Additions	3 121 147	94 911 419	2 089 742	4 490 394	104 612 702
- *Completed assets*	*(444 183)*	-	*2 089 742*	*4 490 394*	*6 135 952*
- *Transferred in capital under construction*	*3 565 330*	*94 911 419*	-	-	*98 476 749*
Depreciation:	(6 613 458)	(58 016 256)	(4 749 227)	(1 625 707)	(71 004 648)
- *Based on Cost*	*(6 613 458)*	*(58 016 256)*	*(4 749 227)*	*(1 625 707)*	*(71 004 648)*
Impairment Losses	-	-	(967 177)	-	(967 177)
Carrying value of Disposals:	-	(34 254)	(1 352 206)	(629 989)	(2 016 448)
- Cost	-	(56 726)	(9 100 241)	(6 721 919)	(15 878 886)
- Accumulated Depreciation	-	22 472	7 748 035	6 091 931	13 862 438
- *Based on Cost*	-	*22 472*	*7 748 035*	*6 091 931*	*13 862 438*
Capital under Construction - Completed	-	(47 997 682)	-	-	(47 997 682)
- Additions	*3 565 330*	*46 913 737*	-	-	*50 479 067*
- Completed and transferred out	*(3 565 330)*	*(94 911 419)*	-	-	*(98 476 749)*
Carrying values at 30 June 2017	**311 882 116**	**1 677 794 254**	**16 396 234**	**4 603 826**	**2 010 676 430**
Cost	332 637 832	2 137 945 394	61 008 411	8 035 195	2 539 626 831
- *Completed Assets*	*332 637 832*	*2 058 654 112*	*61 008 411*	*8 035 195*	*2 460 335 550*
- *Under Construction*	-	*79 291 281*	-	-	*79 291 281*
Accumulated Impairment Losses	-	-	(967 177)	-	(967 177)
- *Cost*	-	-	*(967 177)*	-	*(967 177)*
Accumulated Depreciation:	(20 755 716)	(460 151 140)	(43 645 000)	(3 431 369)	(527 983 225)
- *Cost*	*(20 755 716)*	*(460 151 140)*	*(43 645 000)*	*(3 431 369)*	*(527 983 225)*

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2016

Reconciliation of Carrying Value

Description	Land and Buildings	Infra- structure	Other	Leased Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2015	**289 489 368**	**1 663 608 052**	**25 136 536**	**4 243 929**	**1 982 477 885**
Cost	301 590 309	2 011 678 174	66 357 556	10 266 721	2 389 892 760
- *Completed Assets*	*294 876 601*	*1 897 503 754*	*66 357 556*	*10 266 721*	*2 269 004 632*
- *Under Construction*	*6 713 708*	*114 174 420*	-	-	*120 888 128*
Accumulated Depreciation:	(12 100 940)	(348 070 123)	(41 221 020)	(6 022 792)	(407 414 875)
- *Cost*	*(12 100 940)*	*(348 070 123)*	*(41 221 020)*	*(6 022 792)*	*(407 414 875)*
Additions	34 640 085	66 363 323	2 142 728	-	103 146 136
- *Completed assets*	*21 622 336*	-	*2 142 728*	-	*23 765 064*
- *Transferred in capital under construction*	*13 017 749*	*66 363 323*	-	-	*79 381 072*
Depreciation:	(2 041 318)	(54 149 303)	(5 684 144)	(1 874 800)	(63 749 566)
- *Based on Cost*	*(2 041 318)*	*(54 149 303)*	*(5 684 144)*	*(1 874 800)*	*(63 749 566)*
Carrying value of Disposals:	-	(5 588)	(220 019)	-	(225 607)
- Cost	-	(67 658)	(481 375)	-	(549 033)
- Accumulated Depreciation	-	62 070	261 356	-	323 426
- *Based on Cost*	-	*62 070*	*261 356*	-	*323 426*
Capital under Construction - Completed	(6 713 708)	13 114 543	-	-	6 400 835
- Additions	*6 304 041*	*79 477 866*	-	-	*85 781 907*
- Completed and transferred out	*(13 017 749)*	*(66 363 323)*	-	-	*(79 381 072)*
Carrying values at 30 June 2016	**302 356 678**	**1 622 567 703**	**21 375 101**	**2 369 128**	**2 028 049 683**
Cost	329 516 685	2 091 088 382	68 018 909	10 266 721	2 498 890 697
- *Completed Assets*	*329 516 685*	*1 963 799 419*	*68 018 909*	*10 266 721*	*2 371 601 735*
- *Under Construction*	-	*127 288 963*	-	-	*127 288 963*
Accumulated Depreciation:	(14 142 258)	(402 157 356)	(46 643 808)	(7 897 593)	(470 841 015)
- *Cost*	*(14 142 258)*	*(402 157 356)*	*(46 643 808)*	*(7 897 593)*	*(470 841 015)*

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Expenditure incurred to Repair and Maintain

The following specific costs included in the amount of Repairs and Maintenance as disclosed in Note 36 were incurred by the municipality during the reporting period:

Land & Buildings:	**1 115 481**	**643 951**
- Inventory Consumed	1 115 481	643 951
Electrical Infrastructure:	**11 694 137**	**10 814 284**
- Inventory Consumed	11 694 137	10 814 284
Roads Infrastructure:	**5 037 705**	**4 788 158**
- Inventory Consumed	5 037 705	4 788 158
Sanitation Infrastructure:	**1 173 348**	**1 049 990**
- Inventory Consumed	1 173 348	1 049 990
Water Supply Infrastructure:	**346 153**	**230 175**
- Inventory Consumed	346 153	230 175
Other Infrastructure:	**3 591 144**	**3 316 002**
- Inventory Consumed	3 591 144	3 316 002
Other Assets:	**10 242 292**	**7 649 563**
- Inventory Consumed	10 242 292	7 649 563
Total Expenditure incurred to Repair and Maintain	**33 200 259**	**28 492 123**

	2017 R	2016 R
10 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**62 225**	**146 585**

The movement in Intangible Assets is reconciled as follows:

	Total
Carrying values at 01 July 2016	**146 585**
Cost	592 899
Accumulated Amortisation	(446 314)
Acquisitions:	-
Purchased	-
Amortisation:	(42 386)
Purchased	(42 386)
Disposals:	(41 974)
At Cost	(401 994)
At Accumulated Amortisation	360 020
Carrying values at 30 June 2017	**62 225**
Cost	190 905
Accumulated Amortisation	(128 680)

	Total
Carrying values at 01 July 2015	**186 363**
Cost	534 917
Accumulated Amortisation	(348 554)
Acquisitions:	57 982
Purchased	57 982
Amortisation:	(97 760)
Purchased	(97 760)
Carrying values at 30 June 2016	**146 585**
Cost	592 899
Accumulated Amortisation	(446 314)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality’s Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

11 INVESTMENT PROPERTY

	2017 R	2016 R
At Cost less Accumulated Depreciation	**285 199 244**	**285 199 244**

The movement in Investment Property is reconciled as follows:

	2017 R	2016 R
Carrying values at 1 July	**285 199 244**	**285 199 244**
Cost	285 199 244	285 199 244
Accumulated Depreciation	-	
Acquisitions during the Year	-	-
Depreciation during the Year	-	
Carrying values at 30 June	**285 199 244**	**285 199 244**
Cost	285 199 244	285 199 244
Accumulated Depreciation	-	-
Estimated Fair Value of Investment Property at 30 June	**285 199 244**	**285 199 244**

Note: Erf 13 (Value - R166 000.00 of Kouga Municipality in Patensie is being held as security by ABSA Bank (Pty) Ltd.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

11.1 Investment Property

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

11.3 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

11.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays or were halted.

12 LONG-TERM RECEIVABLES

As at 30 June 2017	Gross Balances R	Provision for Impairment R	Net Balances R
Other Loans	296 832	214 710	82 122
	296 832	214 710	82 122
Less: Current Portion transferred to Current Receivables:-			17 371
Recovered			14 371
Current Portion transferred to Current Receivables			3 000
Total Long-term Receivables			**64 751**

As at 30 June 2016	Gross Balances R	Provision for Impairment R	Net Balances R
Other Loans	304 574	126 231	178 343
	304 574	126 231	178 343
Less: Current Portion transferred to Current Receivables:-			10 742
Recovered			7 742
Current Portion transferred to Current Receivables			3 000
Total Long-term Receivables			**167 601**

	2017 R	2016 R

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

12.1 Ageing of Long-term Receivables

	2017 R	2016 R
Past Due:		
+ 120 Days	296 832	304 574
Total	**296 832**	**304 574**

12.2 Reconciliation of the Provision for Impairment

	2017 R	2016 R
Balance at beginning of year	126 231	126 231
Contribution to provision	214 710	126 231
Impairment Losses reversed	(126 231)	(126 231)
Balance at end of year	**214 710**	**126 231**

13 CONSUMER DEPOSITS

	2017 R	2016 R
Electricity and Water	10 273 091	9 590 330
Total Consumer Deposits	**10 273 091**	**9 590 330**

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

No interest is paid on Consumer Deposits held.

14 PROVISIONS

	2017 R	2016 R
Performance Bonuses	898 174	678 671
Staff Leave	14 561 561	14 293 355
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	2 776 000	2 312 000
Current Portion of Long-term Service Liability (See Note 20)	1 606 000	1 438 000
Current Portion of Non-Current Provisions (See Note 21):	2 802 534	3 387 190
Ex-Gratia Pension	61 000	95 000
Clearing of Environmental Cleanup	200 000	597 604
Rehabilitation of Land-fill Sites	2 541 534	2 694 586
Total Provisions	**22 644 269**	**22 109 217**

Provision for environmental clean - up

Illegal dumping of builders' and other rubble is taking place through out the KOUGA area on the municipality's property. Contrary to S19A of Environmental Conservation Act, (No 73 of 1989), the municipality has not cleared the illegal dumping and other rubble.

The municipality has accounted for a provision for the cost of clearing builders'and other rubble as required by GRAP 19.20 - Provisions, contingent liabilities and contingent assets. The net present value of the clean - up costs have been determined as at 30 June 2017. The provision is the best estimate of the net present value of future clean - up costs. The payment dates of the costs to clean up the builders'and other rubble are uncertain, but are currently expected to be in the following years.

The movement in provisions are reconciled as follows:

Current Provisions:

	2017 R	2016 R
Performance Bonuses:		
Balance at beginning of year	678 671	550 316
Expenditure incurred	219 503	128 355
Balance at end of year	**898 174**	**678 671**

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is the best estimate of the amount due at the reporting date.

Staff Leave:		
Balance at beginning of year	14 293 355	12 133 593
Contributions to provision	-	2 159 762
Expenditure incurred	268 206	-
Balance at end of year	**14 561 561**	**14 293 355**

Staff Leave accrue to staff of the municipality on an annual basis, subject to certain conditions. The provision is the best estimate of the amount due at the reporting date.

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2017		
Balance at beginning of year	1 438 000	2 312 000
Transfer from non-current	1 606 000	2 776 000
Expenditure incurred	(1 438 000)	(2 312 000)
Balance at end of year	**1 606 000**	**2 776 000**

	Long-term Service R	Post-retirement R
30 June 2016		
Balance at beginning of year	1 837 000	2 314 000
Transfer from non-current	1 438 000	2 312 000
Expenditure incurred	(1 837 000)	(2 314 000)
Balance at end of year	**1 438 000**	**2 312 000**

Current Portion of Non-Current Provisions:

	Ex-Gratia Pension R	Other Provisions R	Rehabilitation of Land-fill Sites R
30 June 2017			
Balance at beginning of year	95 000	597 604	2 694 586
Transfer from non-current	61 000	-	(153 052)
Contributions to provision	-	(397 604)	-
Expenditure incurred	(95 000)	-	-
Balance at end of year	**61 000**	**200 000**	**2 541 534**

	Ex-Gratia Pension R	Other Provisions R	Rehabilitation of Land-fill Sites R
30 June 2016			
Balance at beginning of year	75 000	795 852	12 175 921
Transfer from non-current	95 000	-	2 694 586
Contributions to provision	-	(198 248)	-
Expenditure incurred	(75 000)	-	(12 175 921)
Balance at end of year	**95 000**	**597 604**	**2 694 586**

	2017	2016
	R	R
	2017	2016
	R	R

15 PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade Creditors	91 125 488	114 497 408
Retentions	3 098 325	3 058 792
Other Creditors	21 103 116	13 065 713
Total Payables	**115 326 930**	**130 621 914**

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

16 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 R	2016 R
Other Creditors	12 912 272	13 421 060
Sundry Deposits	3 293 933	2 732 288
Total Payables	**16 206 204**	**16 153 347**

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2017 R	2016 R
17.1 Conditional Grants from Government	**6 726 723**	**7 841 525**
National Government Grants	348 891	2 320 536
Provincial Government Grants	6 085 831	5 228 989
Local Government Grants	157 000	157 000
Other Spheres of Government	135 000	135 000
Total Conditional Grants and Receipts	**6 726 723**	**7 841 525**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.
See Note 26 for the reconciliation of Grants from Government and Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

An amount of R1 243 022 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.
Refer to Appendix "D" for more detail on Conditional Grants.

18 OPERATING LEASE LIABILITIES

18.1 Leasing Arrangements

The Municipality as Lessee:
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years.

18.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

	2017 R	2016 R
Other Equipment:	6 941 824	4 776 203
Up to 1 year	6 941 824	4 776 203
2 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	**6 941 824**	**4 776 203**

The following payments have been recognised as an expense in the Statement of Financial Performance:

	2017 R	2016 R
Minimum lease payments	6 941 824	4 776 203
Total Operating Lease Expenses	**6 941 824**	**4 776 203**

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:
- Office Equipment

	2017 R	2016 R

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

(i) The equipment shall remain the property of the lessor.

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

19 LONG-TERM LIABILITIES

	2017 R	2016 R
Annuity Loans	36 734 307	42 485 867
Finance Lease Liabilities	4 432 790	2 754 390
Sub-total	41 167 098	45 240 257
Less: Current Portion transferred to Current Liabilities:-	8 599 901	7 735 833
Annuity Loans	6 444 933	5 756 979
Finance Lease Liabilities	2 154 968	1 978 854
Total Long-term Liabilities (Neither past due, nor impaired)	**32 567 197**	**37 504 424**

19.1 Summary of Arrangements

Annuity Loans are repaid over a period of 5 years and at interest rates varying from 10,50% to 11,18% (2016: 11,18% to 11,88%) per annum. The Absa loan is secured, with ERF 13 in Patensie. No security is held on DBSA loans.

Finance Lease Liabilities relates to Office Equipment with lease terms not more than 2 years (2016: 3) years. The effective interest rate on Finance Leases is between 13,21% and 24,88% (2016: 13,21 to 24,88%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The total Annuity Loans is made up of the following loans:

	2017 R	2016 R
Absa	37 618	46 419
Development Bank of South Africa	36 696 689	42 439 448
	36 734 307	**42 485 867**

Refer to Appendix "A" for more detail on Long-term Liabilities.

19.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 1 years (2016: 2 years). The effective interest rate on Finance Leases is 24,88% (2016: 24,88%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.
The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment
- Wireless radio network

Included in these classes are the following significant leases:

	2017	2016
(i) Various photocopier and fax machines	R 775 540	R 2 754 393
- Installments are payable monthly		
- Average period outstanding	4 months	12 months
- Average effective interest rate	24,88%	24,88%
- Average capital redemption per month over the period leased	R 142 784	R 229 533
(ii) Wireless radio network	R 3 657 254	-
- Installments are payable monthly in advance		
- Average period outstanding	12 months	-
- Average effective interest rate, based on prime	24,88%	-
- Average capital redemption per month over the period leased	R 124 733	-

	2017	2016
	R	R

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017	2016	2017	2016
	R	R	R	R
Amounts payable under finance leases:				
Within one year	2 955 049	2 448 431	2 154 968	1 978 854
In the second to fifth years, inclusive	2 673 632	816 143	2 277 822	775 540
Over five years	-	-	-	-
	5 628 681	3 264 574	4 432 790	2 754 393
Less: Future Finance Obligations	1 195 887	510 181	2 154 968	1 978 854
Present Value of Minimum Lease Obligations	**4 432 794**	**2 754 393**	**2 277 822**	**775 539**

20 EMPLOYEE BENEFIT LIABILITIES

	2017	2016
Post-retirement Health Care Benefits Liability	80 197 999	78 606 999
Long Service Awards Liability	11 504 000	11 610 000
Ex-Gratia Pension	742 000	829 000
Total Employee Benefit Liabilities	**92 444 000**	**91 046 000**

20.1 Post-retirement Health Care Benefits Liability

	2017	2016
Balance at beginning of Year	78 606 999	72 739 999
Contributions to Provision	2 055 000	5 865 000
Balance at end of Year	82 973 999	80 918 999
Transfer to Current Provisions	(2 776 000)	(2 312 000)
Total Post-retirement Health Care Benefits Liability	**80 197 999**	**78 606 999**

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by One Pangaea Financial Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2017	2016
In-service Members (Employees)	406	429
Continuation Members (Retirees, widowers and orphans)	67	63
Total Members	**473**	**492**

The liability in respect of past service has been estimated as follows:

	2017	2016
In-service Members	43 147 000	45 905 000
Continuation Members	39 826 999	35 014 000
Total Liability	**82 973 999**	**80 919 000**

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2017 is estimated to be R4 463 000, whereas the cost for the ensuing year is estimated to be R3 598 000 (30 June 2016: R6 933 000 and R7 793 000 respectively).

	2017 R	2016 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9,93%	9,77%
Health Care Cost Inflation Rate	7,29%	7,89%
Net Effective Discount Rate	1,51%	0,81%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	80 919 000	75 054 000
Current service costs	4 463 000	3 598 000
Interest cost	7 793 000	6 933 000
Benefits paid	(2 312 000)	(2 314 000)
Actuarial losses / (gains)	(7 889 001)	(2 352 000)
Total Recognised Benefit Liability	**82 973 999**	**80 919 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	82 973 999	80 919 000
Unfunded Accrued Liability	82 973 999	80 919 000
Total Benefit Liability	**82 973 999**	**80 919 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	4 463 000	3 598 000
Interest cost	7 793 000	6 933 000
Actuarial losses / (gains)	(7 889 001)	(2 352 000)
Adjustment for Short-term Portion from Previous Year	(2 311 999)	(2 314 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	**2 055 000**	**5 865 000**

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	82 974 000	80 919 000	75 054 000	69 141 000	69 432 000
Deficit	**82 974 000**	**80 919 000**	**75 054 000**	**69 141 000**	**69 432 000**

	2017 R	2016 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	2 401 000	2 580 000
Effect on the defined benefit obligation	14 427 000	14 829 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(1 897 000)	(1 263 000)
Effect on the defined benefit obligation	(11 603 000)	(11 838 000)

The municipality expects to make a contribution of R7 793 000 (2016: R6 933 000) to the Defined Benefit Plans during the next financial year.

20.2 Long Service Awards Liability

	2017	2016
Balance at beginning of year	11 610 000	11 578 000
Contributions to provision	62 000	(367 000)
Balance at end of Year	13 110 000	13 048 000
Transfer to Current Provisions	(1 606 000)	(1 438 000)
Total Long Service Awards Liability	**11 504 000**	**11 610 000**

	2017 R	2016 R

The long-service bonus is granted to employees after the completion of fixed periods of continuous service with the municipality. The said award comprise a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2017 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by One Pangaea Financial Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

At year end, 818 (2016: 876) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R 1 130 000, whereas the cost for the ensuing year is estimated to be (30 June 2016: R1 185 000 and R1 194 000 respectively).

	2017 R	2016 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8,43%	8,65%
Cost Inflation Rate	6,24%	7,83%
Net Effective Discount Rate	2,06%	0,76%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	13 048 000	13 415 000
Current service costs	1 130 000	1 185 000
Interest cost	1 066 000	1 194 000
Benefits paid	(243 000)	(1 837 000)
Actuarial losses / (gains)	(1 891 000)	(909 000)
Total Recognised Benefit Liability	**13 110 000**	**13 048 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	13 110 000	13 048 000
Unfunded Accrued Liability	13 110 000	13 048 000
Total Benefit Liability	**13 110 000**	**13 048 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 130 000	1 185 000
Interest cost	1 066 000	1 194 000
Actuarial losses / (gains)	(1 891 000)	(909 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	**305 000**	**1 470 000**

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	13 110 000	13 048 000	13 415 000	12 825 000	10 820 000
Deficit	**13 110 000**	**13 048 000**	**13 415 000**	**12 825 000**	**10 820 000**

	2017 R	2016 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	11 000	12 000
Effect on the defined benefit obligation	719 000	722 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	13 000	14 000
Effect on the defined benefit obligation	801 000	995 000

The municipality expects to make a contribution of R1 066 000 (2016: R1 194 000) to the defined benefit plans during the next financial year.

	2017	2016
	R	R
20.3 Ex-Gratia Pension		
Balance at beginning of year	829 000	837 000
Contributions to provision	(108 000)	10 000
Expenditure incurred	82 000	77 000
Balance at end of Year	803 000	924 000
Transfer to Current Provisions	(61 000)	(95 000)
Total Long Ex-Gratia Liability	**742 000**	**829 000**

The municipality provides certain post - retirement pension benefits to certain retired employees of the municipality. According to the rules of the pension fund, with which the municipality is associated, a member (whi is on the current Conditions of Service) on retirement, is entitled to certain pension benefits in which case the municipality is liable for pension payments to retired members for the remainder of their lives.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by One Pangaea Financial Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	R	R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9,43%	9,36%
Cost Inflation Rate	6,76%	7,50%
Net Effective Discount Rate	6,60%	7,50%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	924 000	912 000
Interest cost	82 000	77 000
Benefits paid	(95 000)	(75 000)
Actuarial losses / (gains)	(108 000)	10 000
Total Recognised Benefit Liability	**803 000**	**924 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	803 000	924 000
Unfunded Accrued Liability	803 000	924 000
Total Benefit Liability	**803 000**	**924 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	-	-
Interest cost	82 000	77 000
Actuarial losses / (gains)	(108 000)	10 000
Benefits Paid		(33 000)
Total Post-retirement Benefit included in Employee Related Costs (Note)	**(26 000)**	**54 000**

The history of experienced adjustments is as follows:

	R	R	R	R	R
Present Value of Defined Benefit Obligation	803 000	924 000	912 000	195 000	510 000
Deficit	**803 000**	**924 000**	**912 000**	**195 000**	**510 000**

	R	R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	8 000	8 000
Effect on the defined benefit obligation	90 000	114 000

	2017 R	2016 R
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(7 000)	(12 000)
Effect on the defined benefit obligation	(77 000)	(92 000)

The municipality expects to make a contribution of R1 817 210 (: R82 000) to the defined benefit plans during the next financial year.

21 NON-CURRENT PROVISIONS

	2017 R	2016 R
Provision for Augmentation Fees	52 200	52 200
Provision for Rehabilitation of Land-fill Sites	62 413 610	58 828 770
Total Non-current Provisions	**62 465 810**	**58 880 970**

Rehabilitation of Landfill Sites

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2017 by a technical specialist, Mr S Nel, (Pr Eng, BSc Eng (Civil), BCom Honours), the branch manager for the East London branch of Bosch Munitech (Pty) Ltd. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2017 and 2038.

Major assumptions concerning future events

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made

(a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.

(b) Doming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.

(c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites; and

(d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

Augmentation fees

The movement in Non-current Provisions are reconciled as follows:

	Augmentation Fees R	Land-fill Sites R
30 June 2017		
Balance at beginning of year	52 200	58 828 770
Increase due to discounting	-	3 431 788
	52 200	62 260 558
Transfer to current provisions	-	153 052
Balance at end of year	**52 200**	**62 413 610**

	Augmentation Fees R	Land-fill Sites R
30 June 2016		
Balance at beginning of year	52 200	25 947 857
Increase due to discounting	-	(125 085)
Expenditure incurred	-	35 700 584
	52 200	61 523 356
Transfer to current provisions	-	(2 694 586)
Balance at end of year	**52 200**	**58 828 770**

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2017 R	2016 R
Accumulated Surplus / (Deficit) due to the results of Operations	2 102 988 868	2 098 485 648
Total Accumulated Surplus	**2 102 988 868**	**2 098 485 648**

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

	2017 R	2016 R
23 PROPERTY RATES		
	Actual Levies	
Residential & Commercial	162 917 094	148 234 661
Less: Revenue Foregone - Free Basic Services	(14 842 316)	(12 895 216)
Total Property Rates	**148 074 778**	**135 339 445**

23.1 Calculation of Cash Flow:

	2017 R	2016 R
Property Rates Income	148 074 778	135 339 445
Fines Income	10 551 532	9 798 101
Opening Balance of Debtors: Assessment Rates and Fines	41 465 328	38 203 960
Closing Balance of Debtors: Assessment Rates and Fines	(48 388 206)	(41 465 328)
Amounts written-off as uncollectable	(4 829 070)	(5 364 031)
Total Receipts for Property Rates	**146 874 362**	**136 512 147**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

- Residential Properties: 0,00668052 c/R (2015/16: 0,00612892 c/R)
- Business Properties: 0,006947744 c/R (2015/16: 0,006254 c/R)
- Agricultural Properties: 0,00167013 c/R (2015/16: 0,0015635 c/R)

A Rebate of R15,000 is received on all residential properties, private towns receives an additional 20% on property valuation and equitable share receipients receives an additional R85,000 rebate on property value.

All infrastructure owned properties receives a 30% rebate on property value.

24 FINES

	2017 R	2016 R
Traffic Fines	2 019 949	1 850 266
Other Fines	8 531 583	7 947 835
Total Fines	**10 551 532**	**9 798 101**

25 LICENCES AND PERMITS

	2017 R	2016 R
Vehicle Licenses And Registration	2 743 849	2 190 591
Boat Licenses And Permits	1 860 825	1 418 627
Drivers Licenses	2 023 793	2 082 943
Other Licenses	248 942	373 408
Total Licences and Permits	**6 877 409**	**6 065 570**

26 GOVERNMENT GRANTS AND SUBSIDIES

	2017 R	2016 R
National Equitable Share	91 622 022	82 099 000
Other Subsidies	1 758 535	6 050 024
Operational Grants	93 380 557	88 149 024
Conditional Grants	50 924 274	80 028 187
National: EPWP	1 057 000	1 000 000
National: FMG	2 754 551	470 449
National: MIG	37 326 000	30 800 000
National: MSIG	-	16 530
National: DWA - Other Capital projects	1 931 618	9 313 484
National: Energy	5 928 623	3 887 985
Provincial: Department Human Settlement	-	33 347 961
Provincial: Department Human Settlement	1 569 182	316 795
Provincial: Department Human Settlement	357 300	874 983
Total Government Grants and Subsidies	**144 304 831**	**168 177 211**

	2017 R	2016 R
26.1 Calculation of Cash Flow:		
Government Grants and Subsidies Income	144 304 831	168 177 211
Opening Balance of Unspent Government Grants	(7 841 525)	(5 830 359)
Closing Balance of Unspent Government Grants	6 726 723	7 841 525
Total Receipts for Government Grants and Subsidies	**143 190 028**	**170 188 377**

Operational Grants:

26.2 National: Equitable Share	**91 622 022**	**82 099 000**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R692 (2016: R692), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 12 kl water and 50 kWh electricity (indigents only) free every month. .

An amount of R1 243 022 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

Conditional Grants:

26.3 National: EPWP Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 057 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 057 000)	(1 000 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	**-**	**-**

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds has been withheld.

26.4 National: FMG Grant

Balance unspent at beginning of year	1 129 551	-
Current year receipts	1 625 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(2 754 551)	(470 449)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	**-**	**1 129 551**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. .

An amount of R329 551 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

26.5 National: MIG Funds

Balance unspent at beginning of year	-	0
Current year receipts	37 326 000	30 800 000
Conditions met - transferred to Revenue: Operating Expenses	(1 516 300)	(1 540 000)
Conditions met - transferred to Revenue: Capital Expenses	(35 809 700)	(29 260 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	**-**	**-**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

26.6 National: MSIG Funds

Balance unspent at beginning of year	913 471	1
Current year receipts	-	930 000
Conditions met - transferred to Revenue: Operating Expenses	(913 471)	(16 530)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	**(0)**	**913 471**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.

An amount of R913 471 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

26.7 National: Department of economic development

Balance unspent at beginning of year	65 500	65 500
Conditions still to be met - transferred to Liabilities (see Note 17)	**65 500**	**65 500**

No funds have been withheld.

26.8 National: Department Water Affairs (DWA) - Other Capital Projects

	2017 R	2016 R
Balance unspent at beginning of year	-	550 000
Current year receipts	1 931 618	8 763 484
Conditions met - transferred to Revenue: Operating Expenses	(1 931 618)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(9 313 484)
Conditions still to be met - transferred to Liabilities (see Note 17)	**-**	**0**

This grant was received for the maintenance of water schemes witin the district. No funds have been withheld.

26.9 National: Department Energy

	2017 R	2016 R
Balance unspent at beginning of year	212 015	-
Current year receipts	6 000 000	4 100 000
Conditions met - transferred to Revenue: Operating Expenses	(5 928 623)	(3 887 985)
Conditions still to be met - transferred to Liabilities (see Note 17)	**283 392**	**212 015**

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

26.10 Provincial: Department Human Settlements (Infrastructure)

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current year receipts	-	33 516 211
Conditions met - transferred to Revenue: Capital Expenses	-	(33 347 961)
Other Adjustments/Refunds	-	(168 250)
Conditions still to be met - transferred to Liabilities (see Note 17)	**-**	**-**

This grant is for the building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

26.11 Local Government: SBDM

	2017 R	2016 R
Balance unspent at beginning of year	157 000	157 000
Conditions still to be met - transferred to Liabilities (see Note 17)	**157 000**	**157 000**

This grant was allocated to assist the municipality to set up a Call Centre. No funds have been withheld.

26.12 Provincial: Department Human Settlement (Houses)

	2017 R	2016 R
Balance unspent at beginning of year	5 228 989	4 922 858
Current year receipts	2 426 025	622 926
Conditions met - transferred to Revenue: Capital Expenses	(1 569 182)	(316 795)
Conditions still to be met - transferred to Liabilities (see Note 17)	**6 085 832**	**5 228 989**

This grant is for the building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

26.13 Provincial: Department Provincial Local Government and Housing (DPLG&H)

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current year receipts	357 300	874 983
Conditions met - transferred to Revenue: Operating Expenses	(357 300)	(874 983)
Conditions still to be met - transferred to Liabilities (see Note 17)	**-**	**-**

26.14 Other Government Grants: VUNA

	2017 R	2016 R
Balance unspent at beginning of year	35 000	35 000
Conditions still to be met - transferred to Liabilities	**35 000**	**35 000**

No funds has been withheld.

26.15 Other Government Grants: Other

	2017 R	2016 R
Balance unspent at beginning of year	100 000	100 000
Conditions still to be met - transferred to Liabilities	**100 000**	**100 000**

26.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.

27 PUBLIC CONTRIBUTIONS AND DONATIONS

	2017 R	2016 R
Public Contributions and Donations:		
Other Donations	4 000	118 424
Total Public Contributions and Donations	**4 000**	**118 424**

	2017 R	2016 R
28 SERVICE CHARGES		
Sale of Electricity	241 233 941	234 162 285
Sale of Water	39 607 926	37 380 339
Refuse Removal	53 035 864	48 735 384
Sewerage and Sanitation Charges	41 827 973	40 540 705
Other Service Charges	(38 322 133)	(34 273 206)
Total Service Charges	**337 383 571**	**326 545 507**

28.1 Calculation of Cash Flow:

	2017	2016
Service Charges Income	337 383 571	326 545 507
Opening Balance of Debtors: Service Charges	110 293 681	99 410 343
Closing Balance of Debtors: Service Charges	(110 125 547)	(110 293 681)
Amounts written-off as uncollectable	(6 125 555)	(1 576 969)
Opening Balance of Consumer Deposits	(9 590 330)	(8 592 611)
Closing Balance of Consumer Deposits	10 273 091	9 590 330
Total Receipts for Service Charges	**332 108 911**	**315 082 919**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

29 RENTAL OF FACILITIES AND EQUIPMENT

	2017	2016
Rental Revenue from Amenities	12 565	9 000
Rental Revenue from Buildings	217 082	180 011
Rental Revenue from Halls	181 490	176 831
Rental Revenue from Land	88 743	82 177
Rental Revenue from Other Facilities	1 005 770	296 330
Total Rental of Facilities and Equipment	**1 505 650**	**744 348**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

30 INTEREST EARNED

	2017	2016
External Investments:		
Bank Account	1 086 277	488 743
Other Deposits	6 689 851	4 542 565
	7 776 128	**5 031 308**
Outstanding Debtors:		
Outstanding Billing Debtors	8 144 334	3 306 788
Gross interest included in debtors (PY)	13 248 940,00	12 009 477
Gross interest included in debtors (CY)	-16 743 215,00	(13 248 940)
	4 650 059	**2 067 325**
	(3 494 275,00)	(1 239 463,00)
Total Interest Earned	**12 426 187**	**7 098 634**

30.1 Calculation of Cash Flow:

	2017	2016
Total Interest Earned	12 426 187	7 098 634
Total Receipts for Interest Received	**12 426 187**	**7 098 634**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

	2017	2016
Available-for-Sale Financial Assets	1 086 277	488 743
Held-to-Maturity Investments	6 689 851	4 542 565
Loans and Receivables	4 650 059	2 067 325
	12 426 187	**7 098 634**

31 OPERATIONAL REVENUE

	2017 R	2016 R
Augmentation Fees	307 912	2 168 743
Building Plan Fees	1 676 306	1 335 572
Caravan Park Fees	2 040 875	2 017 752
Cemetery Fees	431 045	388 775
Conversion Fees	1 748 082	1 613 508
Insurance Claims	2 208 211	-
Prints	7 363	11 121
Sundry Income	3 507 966	2 740 671
Tender Documents	48 105	78 309
Town Planning Fees	590 174	328 094
Total Operational Revenue	**12 566 040**	**10 682 545**

31.1 Calculation of Cash Flow:

		2017 R	2016 R
Income from Operational Revenue	Note 31	12 566 040	10 682 545
Income from Rental of Facilities and Equipment	Note 29	1 505 650	744 348
Income from Licences and Permits	Note 25	6 877 409	6 065 570
Opening Balance of Debtors: Non-exchange Transactions	Note 4	11 194 941	12 471 920
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(9 440 884)	(11 194 941)
Total Receipts for Operational Revenue		**22 703 157**	**18 769 442**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

32 EMPLOYEE RELATED COSTS

	2017 R	2016 R
Employee Related Costs - Salaries and Wages	152 515 791	150 714 416
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	45 857 833	47 932 593
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 672 564	15 615 222
Housing Benefits and Allowances	1 899 062	2 310 598
Overtime Payments	11 958 037	11 488 603
Performance Bonuses	139 866	685 121
Total Employee Related Costs	**228 043 152**	**228 746 553**

32.1 Calculation of Cash Flow:

	2017 R	2016 R
Employee Related Costs Expenditure	(228 043 152)	(228 746 553)
Opening Balance of Staff Leave Provision	(14 293 355)	(12 133 593)
Closing Balance of Staff Leave Provision	14 561 561	14 293 355
Opening Balance of Provision for Performance Bonuses	(678 671)	(550 316)
Closing Balance of Provision for Performance Bonuses	898 174	678 671
Interest Cost on Employment Benefit Liabilities	8 941 000	8 204 000
Current Service Cost on Employment Benefit Liabilities	5 593 000	4 783 000
Actuarial Gains and Losses on Employment Benefit Liabilities	(9 888 000)	(3 251 000)
Benfits paid	(2 650 000)	(4 226 000)
Total Payments for Employee Related Costs	**(225 559 444)**	**(220 948 435)**

No advances were made to employees. Loans to employees are set out in Note 12.

	2017 R	2016 R
Remuneration of Section 56/57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	1 085 650	1 004 392
Performance Bonus	75 128	-
Car and Other Allowances	159 172	181 523
Leave Encashment - contract expired	88 956	-
Company Contributions to UIF, Medical and Pension Funds	17 885	12 608
Total	**1 426 791**	**1 198 523**
Remuneration of the Chief Financial Officer		
Annual Remuneration	1 058 333	583 333
Performance Bonus	33 367	-
Car and Other Allowances	100 000	58 333
Cellphone Allowance	14 250	-
Company Contributions to UIF, Medical and Pension Funds	16 402	13 176
Total	**1 222 352**	**654 842**
Remuneration of the Acting Chief Financial Officer		
Acting Allowance	-	46 825
	-	**46 825**
Remuneration of the Director: Social Services		
Annual Remuneration	936 350	920 023
Car and Other Allowances	144 000	144 000
Company Contributions to UIF, Medical and Pension Funds	15 392	17 391
Total	**1 095 742**	**1 081 414**
Remuneration of the Director: Adminstration, Monitoring and Evaluation		
Annual Remuneration	984 350	923 198
Performance Bonus	178 200	-
Car and Other Allowances	113 796	110 408
Arbitration Award	264 387	-
Company Contributions to UIF, Medical and Pension Funds	15 488	13 580
Total	**1 556 221**	**1 047 186**
Remuneration of the Director: Infrastructure, Planning and Development		
Annual Remuneration	984 350	923 198
Car and Other Allowances	96 630	96 000
Company Contributions to UIF, Medical and Pension Funds	14 118	18 325
Total	**1 095 097**	**1 037 523**
Remuneration of the Acting Director: Infrastructure, Planning and Development		
Acting Allowance	33 044	168 985
	33 044	**168 985**
Remuneration of the Director: Local Economic Development, Tourism and Creative Industries		
Annual Remuneration	984 350	923 198
Performance Bonus	129 869	-
Car and Other Allowances	100 731	96 000
Company Contributions to UIF, Medical and Pension Funds	15 488	14 877
Total	**1 230 438**	**1 034 075**

33 REMUNERATION OF COUNCILLORS

Mayor	590 296	568 509
Speaker	472 235	454 808
Executive Committee Members	2 656 332	2 558 295
Councillors	3 885 919	3 627 081
Company Contributions to UIF, Medical and Pension Funds	189 311	178 228
Other Allowances (Cellular Phones, Housing, Transport, etc)	3 354 905	3 153 244
Total Councillors' Remuneration	**11 101 213**	**10 513 662**

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

	2017 R	2016 R
34 DEPRECIATION AND AMORTISATION		
Depreciation and Amortisation:		
Amortisation: Intangible Assets	42 386	82 989
Depreciation: Property, Plant and Equipment	71 004 648	63 764 337
Total Depreciation and Amortisation	**71 047 034**	**63 847 326**
35 IMPAIRMENT LOSSES		
35.1 Impairment Losses on Fixed Assets and Financial Assets		
Impairment Losses Recognised:	24 779 495	22 593 439
	24 779 495	**22 593 439**
36 REPAIRS AND MAINTENANCE		
Land and Buildings	1 115 481	643 951
Infrastructure - Electricity	11 694 137	10 814 284
Infrastructure - Road Transport	5 037 705	4 788 158
Infrastructure - Sanitation	1 173 348	1 049 990
Infrastructure - Water	346 153	230 175
Infrastructure - Other	3 591 144	3 316 002
Other Assets	10 242 292	7 649 563
Intangible Assets	887 217	1 123 782
Total Repairs and Maintenance	**34 087 476**	**29 615 905**
37 FINANCE COSTS		
Creditors Overdue	5 870 158	864 109
Landfill Provision	3 875 971	-
Loans and Payables at amortised cost	4 461 657	7 357 841
Finance Leases	1 283 107	905 562
Total Interest Paid on External Borrowings	**15 490 893**	**9 127 512**
37.1 Calculation of Cash Flow:		
Finance Cost Expenditure	(15 490 893)	(9 127 512)
Finance Cost on Finance Leases and Borrowings	5 744 764	6 456 259
Interest Charge on the Provision for Landfill Sites	3 875 971	
Total Payments for Finance Costs	**(5 870 158)**	**(2 671 253)**
38 BULK PURCHASES		
Electricity	185 413 050	171 711 422
Water	35 205 001	32 297 408
Total Bulk Purchases	**220 618 051**	**204 008 829**
Expenditure for Repairs and Maintenance	(34 087 476)	(29 615 905)
Expenditure for Bulk Purchases	(220 618 051)	(204 008 829)
Opening Balance of Trade Payables from Exchane Transactions	(114 497 408)	(103 411 563)
Closing Balance of Trade Payables from Exchane Transactions	91 125 488	114 497 408
Opening Balance of Other Payables from Exchane Transactions	(16 124 505)	(12 158 188)
Closing Balance of Other Payables from Exchane Transactions	24 201 441	16 124 505
Opening Balance of VAT Receivable	4 381 953	6 080 734
Closing Balance of VAT Receivable	(11 288 813)	(4 381 953)
Opening Balance of Inventories	5 433 903	4 317 025
Closing Balance of Inventories	(4 952 364)	(5 433 903)
Total Payments for Suppliers	**(276 425 833)**	**(217 990 668)**
39 CONTRACTED SERVICES		
Cell Phone Contracts	1 048 546	1 066 933
Rental : Machinery, Vehicles and Equipment	10 223 965	7 738 802
Insurance Contract	2 020 740	1 993 605
Total Contracted Services	**13 293 251**	**10 799 341**

	2017 R	2016 R
40 GRANTS AND SUBSIDIES PAID		
Operational Grants	1 080 000	196 000
Monetary Allocations	1 080 000	196 000
Total Grants and Subsidies Paid	**1 080 000**	**196 000**
Funded		
Kouga Local Tourism	884 000	
Arts Council	96 000	96 000
Sports Council	100 000	100 000
Total Grants and Subsidies Paid	**1 080 000**	**196 000**

41 OPERATIONAL COSTS

Included in Operational Costs are the following:

	2017 R	2016 R
Advertising	747 843	369 112
Bank Charges	826 265	638 540
Chemicals & Poison	2 596 336	2 114 296
Clean Up Operation	(287 154)	(198 248)
Cleaning Material	501 167	472 343
Collection Costs	670 661	-
Congress & Delegates Expenses	660 360	605 741
Connection Fees	359 560	565 070
Disaster Expenditure	200 278	126 592
Entertainment	195 784	137 491
Expenditure Incurred From Finance Management Grant	1 456 132	169 684
External Audit Fees	4 240 533	3 415 903
Fuel (Small Plant)	582 726	577 887
Other Expenses	12 145 223	7 678 151
Hire Of Facilities & Equipment	1 418 771	1 332 943
Idp Review	714	-
Insurance	2 416 705	1 993 605
Inventory Items	146 731	42 392
Laboratorium Tests/Analysis	403 343	260 763
Lease Charges	628 873	47 844
Legal Cost	3 286 918	2 054 910
Licences	687 053	690 874
Mayoral Special Programmes	384 437	170 559
Network Connection	26 908	570 480
Planning Fees	468 345	508 864
Postage & Telegrams	1 109 802	1 364 791
Printing And Stationery	666 306	621 395
Refuse Bins/Bags	723 084	612 934
Security	516 859	485 745
St Francis Beach Rehabilitation	-	1 213 453
Statutory Obligations	2 238 873	-
Stock Shortages/Surpluses	32 255	(1 562)
Telephone Cost	3 651 174	3 418 249
Tourism Strategy	65 000	265 000
Training	199 984	135 102
Transport Cost	5 465 990	5 932 625
Uniforms & Protective Clothing	1 069 741	912 325
Valuation Costs	120 479	498 852
Ward Committee Management	312 589	104 409
Website Hosting	7 200	-
Total General Expenses	**51 086 065**	**39 909 115**

41.1 Calculation of Cash Flow:

	2017 R	2016 R
Expenditure for General Expenses	(51 086 065)	(39 909 115)
Opening Balance of Other Payables from Non-Exchane Transactions	(13 421 060)	(11 864 128)
Closing Balance of Other Payables from Non-Exchane Transactions	12 912 272	13 421 060
Opening Balance of Sundry Deposits Received from Non-Exchane Transactions	(2 732 288)	(2 243 771)
Closing Balance of Sundry Deposits Received from Non-Exchane Transactions	3 293 933	2 732 288
Opening Balance of Operating Lease Receivables	278 803	249 227
Closing Balance of Operating Lease Receivables	(281 727)	(278 803)
Opening Balance of Provision: Rehabilitation of Landfill Sites	(62 173 160)	(38 971 830)
Closing Balance of Provision: Rehabilitation of Landfill Sites	65 207 344	62 173 160
Movement in the Provision: Rehabilitation of Landfill Sites Relating to Interest	(3 875 969)	-
Total for Other Payments	**(51 877 918)**	**(14 691 912)**

42 (LOSSES) / GAINS ON DISPOSAL OF CAPITAL ASSETS

	2017 R	2016 R
(Loss) / Gains on Sale of Assets	(2 058 422)	26 553
Total (Losses) / Gains on Disposal of Capital Assets	**(2 058 422)**	**26 553**

	2017	2016
	R	R

43 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

43.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Statement of Financial Position:		
Balances published as at 30 June 2015		**2 386 776 416**
Correction of Error:-		
Intangible Assets accumulated depreciation prior period balance has been adjusted - Note 10	(302)	
Investment Property prior period balance has been reclassified between owner occupied and leased properties - Note 11	199 012 774	
Property, Plant and Equipment prior period balance has been corrected to recognise properties of the municipality not previously included in the asset register - Note 9	(529 109 451)	
Adjustment for prior period error on accruals previously not accounted for - Note 15	(4 671 909)	(334 768 888)
Restated Balances as at 30 June 2015		**2 052 007 528**
Statement of Financial Performance		
Transactions incurred for the Year 2015/16		23 880 031
Correction of Error:-		
Adjustment for depreciation of Infrastructure Assets - Note 34	23 444 214	
Adjustment for Subsistence & Travelling (Officials) - Note 32	(67 590)	
Adjustment for Repairs and Maintenance on Plant/Machinery - Note 36	(2 795)	
Adjustment for Repairs and Maintenance on Infrastructure Other - Note 36	(30 155)	
Adjustment for Repairs and Maintenance on Vehicles - Note 36	(186)	
Adjustment for Eskom Bulk Electricity Account - Note 38	(600)	
Adjustment for Operating Costs - Note 39	(744 800)	22 598 089
Restated Balances as at 30 June 2016		**2 098 485 648**

43.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Note	Prior Year 2015/16 Expenditure	Current Year 2015/16 Expenditure	Restated Amount
Employee Related Costs	32	228 678 963	228 746 553	-67 590
Remuneration of Councillors	33	10 513 662	10 513 662	-0
Depreciation and Amortisation	34	87 291 540	63 847 326	23 444 214
Impairment Losses	35	22 593 439	22 593 439	0
Repairs and Maintenance	36	29 582 769	29 615 905	-33 136
Finance Costs	37	9 127 512	9 127 512	0
Bulk Purchases	38	204 008 229	204 008 829	-600
Contracted Services	39	10 799 341	10 799 341	0
Grants and Subsidies Paid	40	196 000	196 000	-
Operational Costs	41	50 159 656	28 913 774	21 245 882
Surplus / (Deficit) for the Year		23 880 031	46 478 120	-22 598 089
		676 831 142	**665 835 801**	**10 995 341**

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

Employee Related Costs:
The employee related costs have been adjusted to correctly reflect subsistence & travelling allowances for the municipal officialls.

Depreciation and Amortisation:
The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets, previously not accounted for.

Furthermore, the prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets from WIP, previously not capitalised.

Repairs and Maintenance:
The prior year amounts for *Repairs & Maintenance* have been restated to correctly disclose the expenditure for Repairs and Maintenance which was not accrued for.

Bulk Purchases:
The bulk purchases relate to Eskom Bulk Account previously not accrued for.

General Expenses:
The prior year general expenses adjustments relate to accruals previously not accounted for.

43.3 Reclassification of Statement of Financial Position

	2017	2016
	R	R

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Note	Prior Year 2015/16 Balance	Current Year 2015/16 Balance	Restated Amount
Current Assets				
Inventories	2	5 433 902	5 433 903	(0)
Receivables from Exchange Transactions	3	48 615 571	48 615 571	-
Receivables from Non-exchange Transactions	4	29 302 917	29 119 413	183 504
VAT Receivable	5	4 353 896	4 381 953	(28 057)
Cash and Cash Equivalents	6	78 573 452	78 573 452	-
Operating Lease Receivables	7	278 803	278 803	-
Current Portion of Long-term Receivables	8	3 000	3 000	-
Non-Current Assets				
Property, Plant and Equipment	9	2 532 215 227	2 028 049 683	504 165 544
Intangible Assets	10	158 583	146 585	11 998
Investment Property	11	85 381 710	285 199 244	(199 817 534)
Long-term Receivables	12	167 601	167 601	-
Current Liabilities				
Consumer Deposits	13	(9 590 330)	(9 590 330)	-
Provisions	14	(31 715 636)	(22 109 217)	(9 606 420)
Payables from Exchange Transactions	15	(122 966 569)	(130 621 914)	7 655 344
Payables from Non-exchange Transactions	16	(16 153 347)	(16 153 347)	-
Unspent Conditional Grants and Receipts	17	(7 841 525)	(7 841 525)	-
Current Portion of Long-term Liabilities	19	(7 735 833)	(7 735 833)	0
Non-Current Liabilities				
Long-term Liabilities	19	(37 504 424)	(37 504 424)	(1)
Retirement Benefit Liabilities	20	(79 435 999)	(91 046 000)	11 610 000
Non-current Provisions	21	(60 884 551)	(58 880 970)	(2 003 581)
Net Assets				
Accumulated Surplus / (Deficit)	22	(2 410 656 447)	(2 098 485 648)	(312 170 799)
		0	**1**	**(1)**

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

Receivables from Non-exchange Transactions:
The **opening balance** of *Receivables from Non-exchange Receivables* have been restated to correctly disclose the amount for sndry debtors, previously recognised in Non-exchange Payables.

Furthermore, the **opening balances** of *Receivables from Non-exchange Transactions* have been restated to correctly disclose the amount for retentions on upgrade of electricity infrastructure project paid outat year-end, previously recognised in Non-exchange Receivables.

VAT Receivable
The **opening balances** of *VAT Reivable* have been restated to correctly disclose the amount for VAT.

Property, Plant and Equipment and Investment Property:

The prior period balance relating to Property Plant & Equipment (Land & Buildings) and Investment Property (Land & Buildings) has been corrected for classification errors identified between owner occupied and leased properties.

The prior period balance has also been corrected to recognise properties of Kouga Local Municipality not previously included in the asset register for which Kouga Local Municipality either owns per Deeds, exercises control and/or reflect Kouga as owner/debtor per Valuation Roll. This excludes RDP housing.

In addition, for all properties, Property Plant and Equipment (Buildings) and Investment Property (Buildings) a correction relating to residual values has been implemented. Residual values were previously estimated as zero but have now been corrected and re-estimated to the Market Value pert the Valuation Roll. This resulted in restatements of accumulated depreciation on all buildings previously depreciated.

Other assets have been restated for assets verified at the end of the 2016/17 financial year but that were never included in the asset register previously. Costs were deemed for these assets as part of the restatement for take on and were then depreciated.

Infrastructure and Work in Progress balances were restated. Work in progress was corrected for payments included in error not of a capital nature as well as payments for projects not previously included in the balance of Work in Progress. The restatement also includes capitalisation of projects to infrastructure that were complete in previous years but were never transferred to Infrastructure. Furthermore, completeness issues were identified on roads, stormwater, street lights and high mast lights. These were restated with costs being deemed per GRAP requirements and depreciated.

Intangible Assets:
Intangible Assets accumulated depreciation prior period balance has been adjusted to reflect the correct carrying value of Intangible Assets as per Asset Register.

Provisions:
The **opening balance** of *Provisions* has been reclassified to Employee Retirement Benefit Liabilities in complaince with GRAP 25.

Payables from Exchange Transactions:
The **opening balances** of *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously not assessed and accrued for.

	2017	2016
	R	R

Payables from Non-exchange Transactions:
The **opening balance** of Payables *from Non-exchange Transactions* have been restated to correctly disclose the amount for sundry debtors, previously recognised in Non-exchange Payables.

Retirement Benefit Liabilities:
The **opening balances** of *Retirement Benefit Liabilities* have been restated to correctly disclose the amount for Long-Service Bonus in terms of GRAP 25, previously recognised as a non-current provision and provisions.

Non-current Provisions:
The **opening balances** of *Non-current Provisions* have been reclassified to Retirement Benefit Liabilities in compliance with GRAP 25.

44 CHANGE IN ACCOUNTING ESTIMATES

Property, Plant and Equipment

The useful life of certain items of Property, Plant and Equipment were revised during the current financial year. The effect of the revision has decreased the depreciation charge in the current financial years by R3,380,719 and changed the depreciation in the future period as set out in the below table.

	Change in Estimate 2017	**Change in Estimate 2018**	**Change in Estimate 2019**	**Change in Estimate 2020**	**Change in Estimate 2021**
PPE	(R 3 380 719)	(R 3 143 181)	R 1 496 646	R 2 732 658	R 2 611 644

Intangibles

The useful life of certain items of Intangible Assets were revised during the current financial year. The effect of the revision has decreased the depreciation charge in the current financial years by R27,063 and changed the depreciation in the future period as set out in the below table.

	Change in Estimate 2017	Change in Estimate 2018	Change in Estimate 2019	Change in Estimate 2020	Change in Estimate 2021
Intangibles	(R27 063)	(R 6 990)	R 11 351	R 11 351	R 11 351

45 CASH GENERATED BY OPERATIONS

	2017 R	2016 R
Surplus / (Deficit) for the Year	4 503 220	46 478 120
Adjustment for:		
Changes in Accounting Policies	-	-
Correction of Prior Year Errors	-	-
Appropriations to/from Internal Reserves	-	-
Depreciation and Amortisation	71 047 034	63 847 326
Impairment Losses on Property, Plant and Equipment	967 177	-
Impairment Losses on Receivables from non-exchange transactions	23 723 841	22 593 439
Impairment Losses on Long Term Receivables	88 479	-
Amounts written off as uncollectable from non-exchange and exchange recevables	(10 954 627)	(6 941 000)
Losses / (Gains) on disposal of Property, Plant and Equipment	2 058 422	(26 553)
Finance cost on finance leases and annuity loans	5 744 764	6 456 259
Actuarial gains on retirement benefits, long services awards and ex-gratia pension	(9 888 001)	(3 251 000)
Current Service Costs on retirement benefits, long services awards and ex-gratia pension	5 593 000	4 783 000
Benefits paid on retirement benefits, long services awards and ex-gratia pension	(2 650 000)	(4 226 000)
Interest cost on retirement benefits, long services awards and ex-gratia pension	8 941 000	8 204 000
Increase in bonus and leave pay provision	487 709	2 288 117
Movement in provisions for rehabilitation of landfill sites	3 034 184	23 201 330
Operating surplus before working capital changes	**102 696 202**	**163 407 038**
Decrease/(Increase) in Inventories	481 539	(1 116 878)
Decrease/(Increase) in Receivables from Exchange Transactions	(2 989 616)	(12 368 248)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(5 505 345)	(1 738 942)
Decrease/(Increase) in VAT Receivable	(6 906 860)	1 698 781
Decrease/(Increase) in Operating Lease Assets	(2 924)	(29 576)
Increase/(Decrease) in Consumer Deposits	682 761	997 719
Increase/(Decrease) in Payables from Exchange Transactions	(15 294 984)	15 052 163
Increase/(Decrease) in Payables from Non-exchange Transactions	52 857	2 045 448
Increase/(Decrease) in Conditional Grants and Receipts	(1 114 802)	2 011 166
Cash generated by / (utilised in) Operations	**72 098 827**	**169 958 671**

46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2017 R	2016 R
Long-term Liabilities (see note 19)	41 167 098	45 240 257
Used to finance Property, Plant and Equipment	(41 167 098)	(45 240 257)
	-	**-**

	2017 R	2016 R

47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:	2017 R	2016 R
Opening balance	369 440 187	369 440 187
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	(288 031 664)	-
Unauthorised Expenditure awaiting authorisation	**81 408 523**	**369 440 187**

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	
- Executive & Council - R 0 (2016: R0)	*None*
- Financial Services - R0 (2016: R0)	*None*
- Administration, Monitoring & Evaluation - R0 (2016: R0)	*None*
- Led, Tourism & Creative Industries - R 0 (2016: R0)	*None*
- Infrastructure, Planning & Development - R0 (2016: R0)	*None*
- Social Services - R0 (2016: R0)	*None*
2009/10	
The 2009/2010 approved budget was over spent by R 81,408,523	Currently None - subject to possible future investigation

47.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:	2017 R	2016 R
Opening balance	34 805 555	33 941 446
Fruitless and Wasteful Expenditure current year	532 632	864 109
Fruitless and Wasteful Expenditure awaiting condonement	**35 338 187**	**34 805 555**

Incident	Amount	Disciplinary Steps / Criminal Proceedings
2008/2009:		
Interest on late payment of trade creditors	*347 882*	*Currently None - subject to possible future investigation*
Penalty on the late submission of the Employer Reconciliation Declaration (EMP501)	*1 108 679*	*Currently None - subject to possible future investigation*
Payments made to directors while on suspension for more than six months	*1 500 000*	*Currently None - subject to possible future investigation*
The municipality engaged in illegal dumping activities at Paradise Beach Transfer where the Department of Economic Development and Environmental Affairs intervened to stop the municipality from engaging in the illegal activities. The municipality incurred fruitless and wasteful expenditure as a result of the illegal dumping.	*510 000*	*Currently None - subject to possible future investigation*
2009/2010:		
Interest on overdue accounts 2009/10	*638 116*	*Currently None - subject to possible future investigation*
Prolonged staff suspension	*1 165 345*	*Currently None - subject to possible future investigation*
2010/2011:		
Interest on late payment of trade creditors	*2 268 205*	*Currently None - subject to possible future investigation*
Payments made to directors while on suspension for more than six months	*1 615 732*	*Currently None - subject to possible future investigation*
Prolonged staff suspension (Mr. F. Dennis)	*1 000 416*	*Currently None - subject to possible future investigation*
2011/2012:		
Interest on late payment of trade creditors	*4 740 237*	*Currently None - subject to possible future investigation*
Penalty on the late payment on SARS account	*2 429 632*	*Currently None - subject to possible future investigation*
Settlement paid out for previous MM's contract (Dr. E.M. Rankwana)	*859 401*	*Currently None - subject to possible future investigation*
Legal cost due to unfair dismissal of Mr Fred Dennis	*1 500 000*	*Currently None - subject to possible future investigation*
2012/2013:		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	*9 447 636*	*Currently None - subject to possible future investigation*
2013/2014:		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	*2 305 973*	*Currently None - subject to possible future investigation*
2014/2015:		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	*2 502 234*	*Currently None - subject to possible future investigation*
Salary erroneously paid to former employee after his services were terminated.	*1 958*	*Currently None - subject to possible future investigation*
	2 504 192	
2015/2016:		
Interest and penalties on late payment of trade creditors	***864 109***	*Currently None - subject to possible future investigation*
2016/2017:		
Interest and penalties on late payment of trade creditors	***532 632***	*Currently None - subject to possible future investigation*

	2017 R	2016 R
47.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	92 593 022	90 210 967
Irregular Expenditure current year	6 275 913	2 382 054
Irregular Expenditure awaiting condonement	**98 868 934**	**92 593 022**

Incident	Amount	Disciplinary Steps / Criminal Proceedings
2007/2008:		
Irregular expenditure incurred on study loans to employees contrary to section 164(1)(c') of the MFMA	*401 371*	*Currently None - subject to possible future investigation*
Performance bonuses paid to section 57 employees contrary to regulation 8, 23 and 34 of GRN 805 of August 2006, read with section 129(1) of the MFMA.	*358 665*	*Currently None - subject to possible future inv*
	760 036	
2008/2009:		
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Police, the municipality acquired goods and services without obtaining three written quotations.	*428 095*	*Currently None - subject to possible future investigation*
Payments were made to a supplier that did not follow the competitive bid process that was contrary to the GRN 868 of May 2005: Municipal Supply Chain Management Regulations, in terms of Regulation 19.	*999 213*	*Currently None - subject to possible future investigation*
Inventory was written-off (medical stock) in the Annual Financial Statements as a result of differences between actual stock and stock records. (Section 125(2)(d)(i) of the MFMA).	*1 100 000*	*Currently None - subject to possible future investigation*
Receipts were misappropriated from the caravan park. (Section 125(2)(d)(i) of the MFMA).	*40 000*	*Currently None - subject to possible future investigation*
A tender was awarded to a business associate of one of the directors of the municipality. An investigation was conducted which indicated irregularities over the bid process.	*13 800 000*	*Currently None - subject to possible future investigation*
Contrary to the Regulation 12 of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations, transactions occurred involving business of family members of officials of the municipality who did not follow the procurement process with regards to the quotation process.	*58 034*	*Currently None - subject to possible future investigation*
Forensic investigation indicated that payments had been made for which the work had not been complete or the proper procurement processes followed for the construction of a cottage in terms of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations.	*108 554*	*Currently None - subject to possible future investigation*
Forensic investigation indicated that two municipal officials did not follow the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations and as a result, funds may have been misappropriated.	*1 800 000*	*Currently None - subject to possible future investigation*
The signature of a municipal official requesting services for the cutting of grass was found to be forged on the municipality's requisitions.	*19 500*	*Currently None - subject to possible future investigation*
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Policy, the municipality did not obtain three written quotations when procuring goods or services from close family members of persons in the service of the state.	*1 479 477*	*Currently None - subject to possible future investigation*
Procurement irregularities occurred regarding a cell phone contract which was entered into with a service provider in terms of Regulation 19 of the. GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations.	*6 500 000*	*Currently None - subject to possible future inv*
	26 332 873	
2010/2011:		
Overpayment of acting allowances to officials	*1 144 228*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*3 718 462*	*Currently None - subject to possible future inv*
	4 862 690	
2011/2012:		
Supply chain compliance not followed	*10 129 648*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*5 837 533*	*Currently None - subject to possible future investigation*
	15 967 181	

	2017 R	2016 R
2012/2013:		
Supply chain compliance not followed	*106 318*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*19 913 596*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*11 096 235*	*Currently None - subject to possible future investigation*
	31 116 149	
2013/2014:		
Supply chain compliance not followed	*1 425 255*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*634 586*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*261 338*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*110 445*	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	*137 670*	*Currently None - subject to possible future investigation*
	2 569 294	
2014/2015:		
Supply chain compliance not followed	24 681	*Currently None - subject to possible future investigation*
Invalid deviations	8 578 062	*Currently None - subject to possible future investigation*
	8 602 743	
2015/2016:		
Supply chain compliance not followed	260 306	*Currently None - subject to possible future investigation*
HR recruitment processes not followed	244 596	*Currently None - subject to possible future investigation*
Acting directors acted for more than 3 months	215 810	*Currently None - subject to possible future investigation*
Supply chain compliance not followed	59 303	*Currently None - subject to possible future investigation*
Invalid deviations	1 602 041	*Currently None - subject to possible future investigation*
	2 382 056	
2016/2017:		
Invalid deviations	6 275 913	*Currently None - subject to possible future investigation*
	6 275 913	

48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

48.1 Contributions to organised local government - SALGA

	2017	2016
Opening Balance	-	2 167 250
Council Subscriptions	2 238 873	-
Amount Paid - current year	(2 238 873)	(2 167 250)
Balance Unpaid (included in Creditors)	**-**	**-**

48.2 Audit Fees

	2017	2016
Opening Balance	2 307 621	4 336 647
Current year Audit Fee	4 240 533	2 307 621
Amount Paid - current year	(5 738 997)	(4 336 647)
Balance Unpaid (included in Creditors)	**809 157**	**2 307 621**

48.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE, Skills Development Levy and UIF

	2017	2016
Opening Balance	2 518 209	-
Current year Payroll Deductions	28 400 250	28 417 853
Amount Paid - current year	(30 918 459)	(25 899 644)
Balance Unpaid (included in Creditors)	**-**	**2 518 209**

48.5 Pension and Medical Aid Deductions

	2017	2016
Opening Balance	-	2 457 688
Current year Payroll Deductions and Council Contributions	53 183 020	52 192 038
Amount Paid - current year	(53 183 020)	(54 649 726)
Balance Unpaid (included in Creditors)	**-**	**-**

	2017	2016
	R	R

48.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2017	**Outstanding more than 90 days**
Councillor Februarie	115 934
Total Councillor Arrear Consumer Accounts	**115 934**

30 June 2016	**Outstanding more than 90 days**
Councillor Kettledas	3 794
Councillor Baxter	15
Total Councillor Arrear Consumer Accounts	**3 810**

48.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Finance	*Year 2016/17*	*Various Occasions (96)*	*Various reasons such as impracticality/ urgency/ Preferred supplier/ Original Equipment*	*5 896 775,49*
96 Occassions during the financial year procuring various services amounting to R5,896,775.49				
Infrastructure, Planning & Development	*Year 2016/17*	*Various Occasions (15)*	*Various reason such as impracticality/ urgency/ Preferred supplier*	*1 499 105,97*
15 Occassions during the financial year procuring various services amounting to R1,499,105.97				
Administration, Monitoring & Evaluation	*Year 2016/17*	*An Occasion (1)*	*Various reason such as impracticality/ urgency/ Preferred supplier*	*1 166 801,27*
1 Occasion during the financial year procuring various services amounting to R1,166,801.27				
Social Services	*Year 2016/17*	*Various Occasions (10)*	*Various reason such as Sole Supplier authorised by govt departments/*	*592 222,65*
10 Occassions during the financial year procuring various services amounting to R592,222.65				
				9 154 905,38

	2017	2016
	R	R

48.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2017	Unaccounted Electricity Losses	35 453 122	0,7862	27 873 245
30 June 2016	Unaccounted Electricity Losses	10 681 244	0,9700	10 323 210

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2017	2016
	kWh	kWh
Volumes in kWh/year:		
System Input Volume	203 652 576	198 692 285
Billed Consumption	(168 199 454)	(172 115 658)
Unaccounted	35 453 122	26 576 627
Normal distribution losses - (8%) of electricity purchases	(16 292 206)	(15 895 383)
Loss	**19 160 916**	**10 681 244**
Percentage Distribution Loss	**9,41%**	**5,38%**

Water:

		Lost Units	Tariff	Value
30 June 2017	Unaccounted Water Losses	3 643 263	5,7400	20 912 330
30 June 2016	Unaccounted Water Losses	3 785 682	5,2700	19 950 544

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

	2017	2016
	kl	kl
Volumes in Kl/year:		
System Input Volume	9 471 235	9 803 846
Billed Consumption	(5 827 972)	(6 018 164)
Distribution Loss	3 643 263	3 785 682
Percentage Distribution Loss	38,47%	38,61%

49 COMMITMENTS FOR EXPENDITURE

49.1 Capital Commitments

	2017	2016
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**29 220 511**	**90 680 657**
Infrastructure	9 882 449	64 921 617
Community	9 739 376	15 419 354
Finance	9 598 686	10 339 686
Total Capital Commitments	**29 220 511**	**90 680 657**
This expenditure will be financed from:		
Internal Funding	23 783 442	40 267 262
Grant Funding	5 437 069	50 413 395
	29 220 511	**90 680 657**

49.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 18 and 19.

50 FINANCIAL INSTRUMENTS

50.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification	2017 R	2016 R
Long-term Receivables			
Debtors Capitalised Loans	Amortised cost	(214 710)	(126 231)
Study Cost Loans	Amortised cost	79 122	175 343
Receivables from Exchange Transactions			
Electricity	Amortised cost	18 540 058	24 712 027
Refuse	Amortised cost	554 213	1 023 679
Sewerage	Amortised cost	2 172 425	2 540 942
Water	Amortised cost	5 944 016	5 743 790
Other Receivables	Amortised cost	15 348 068	14 595 134
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	17 574 176	17 044 546
Sundry Deposits	Amortised cost	-	-
Sundry Debtors	Amortised cost	13 331 323	12 042 687
Suspense Accounts	Amortised cost	1 350	1 350
Cash and Cash Equivalents			
Call Deposits	Amortised cost	78 566 856	75 798 167
Bank Balances	Amortised cost	5 694 930	2 783 364
Cash Floats and Advances	Amortised cost	(8 079)	(8 079)
Current Portion of Long-term Receivables			
Debtors Capitalised Loans	Amortised cost	-	-
Sale of Stand Loans	Amortised cost	14 371	7 742
Study Cost Loans	Amortised cost	3 000	3 000

SUMMARY OF FINANCIAL ASSETS

		2017 R	2016 R
Financial Assets at Amortised Cost:			
Long-term Receivables	Debtors Capitalised Loans	(214 710)	(126 231)
Long-term Receivables	Sale of Stand Loans	(14 371)	(7 742)
Long-term Receivables	Study Cost Loans	79 122	175 343
Receivables from Exchange Transactions	Electricity	18 540 058	24 712 027
Receivables from Exchange Transactions	Refuse	554 213	1 023 679
Receivables from Exchange Transactions	Sewerage	2 172 425	2 540 942
Receivables from Exchange Transactions	Water	5 944 016	5 743 790
Receivables from Exchange Transactions	Other Debtors	15 348 068	14 595 134
Receivables from Non-exchange Transactions	Assessment Rates Debtors	17 574 176	17 044 546
Receivables from Non-exchange Transactions	Sundry Debtors	13 331 323	12 042 687
Receivables from Non-exchange Transactions	Other Control Accounts	1 350	1 350
Current Portion of Long-term Receivables	Sale of Stand Loans	14 371	7 742
Current Portion of Long-term Receivables	Study Cost Loans	3 000	3 000
Cash and Cash Equivalents	Call Deposits	78 566 856	75 798 167
Cash and Cash Equivalents	Notice Deposits	-	-
Cash and Cash Equivalents	Bank Balances	5 694 930	2 783 364
		157 589 930	156 368 628
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	(8 079)	(8 079)
		(8 079)	(8 079)
Total Financial Assets		**157 581 851**	**156 360 549**

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification	2017 R	2016 R
Long-term Liabilities			
Annuity Loans	Amortised cost	30 289 374	36 728 888
Finance Lease Liabilities	Amortised cost	2 277 822	775 536
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	91 125 488	114 497 408
Retentions	Amortised cost	3 098 325	3 058 792
Other Creditors	Amortised cost	21 103 116	13 065 713
Payables from Non-exchange Transactions			
Suspense Accounts	Amortised cost	12 912 272	13 421 060
Sundry Deposits	Amortised cost	3 293 933	2 732 288

SUMMARY OF FINANCIAL LIABILITIES

		2017 R	2016 R
Financial Liabilities at Amortised Cost:			
Payables from Exchange Transactions	Trade Creditors	91 125 488	114 497 408
Payables from Exchange Transactions	Retentions	3 098 325	3 058 792
Payables from Exchange Transactions	Other Creditors	21 103 116	13 065 713
Payables from Non-exchange Transactions	Suspense Accounts	12 912 272	13 421 060
Payables from Non-exchange Transactions	Sundry Deposits	3 293 933	2 732 288
		172 700 232	192 015 518
Total Financial Liabilities		**172 700 232**	**192 015 518**

50.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

	2017	2016
	R	R

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2016.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

Gearing Ratio

	2017 R	2016 R
The gearing ratio at the year-end was as follows:		
Debt	41 167 098	45 240 257
Cash and Cash Equivalents	(78 558 777)	(75 790 088)
Net Debt	(37 391 679)	(30 549 831)
Equity	2 102 988 868	2 098 485 648
Net debt to equity ratio	**-1,78%**	**-1,46%**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

50.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

50.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

	2017	2016
	R	R

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 50.8 to the Annual Financial Statements.

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

50.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis
The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 50.8 below:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

	2017 R	2016 R
Receivables from Non-exchange Transactions		
Group 1	28 129 934	17 528 440
Total Receivables from Non-exchange Transactions	**28 129 934**	**17 528 440**

Credit quality Groupings:
Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

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

50 FINANCIAL INSTRUMENTS (Continued)

50.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2017								
Non-interest Bearing		0,00%	131 533 134	131 533 134	-	-	-	-
- Payables from Exchange transactions			115 326 930	115 326 930	-	-	-	-
- Payables from Non-exchange transactions			16 206 204	16 206 204	-	-	-	-
			-					
Fixed Interest Rate Instruments			41 167 019	4 554 834	4 045 067	8 964 664	23 602 454	-
- DBSA		11,18%	36 696 687	3 124 795	3 303 363	7 179 375	23 089 154	-
- ABSA		14,50%	37 538	7 186	9 589	20 763	-	-
- Financial Lease Obligation		24,88%	4 432 794	1 422 853	732 115	1 764 526	513 300	
			172 700 153	**136 087 969**	**4 045 067**	**8 964 664**	**23 602 454**	**-**
30 June 2016								
Non-interest Bearing			146 775 261	146 775 261	-	-	-	-
- Payables from Exchange transactions			130 621 914	130 621 914	-	-	-	-
- Payables from Exchange transactions			16 153 347	16 153 347	-	-	-	-
			-					
Fixed Interest Rate Instruments			42 485 864	2 787 043	2 964 597	6 444 934	24 160 982	6 128 309
- DBSA		11,18%	42 439 445	2 785 117	2 957 642	6 428 158	24 140 219	6 128 309
- ABSA		14,50%	46 419	1 926	6 955	16 776	20 763	
- Financial Lease Obligation		24,88%	2 754 394	928 601	1 050 253	775 540		
			192 015 519	**149 562 304**	**2 964 597**	**6 444 934**	**24 160 982**	**6 128 309**

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2017								
Non-interest Bearing			184 986 605	184 977 919	8 686	-	-	-
- Long-term Receivables			296 832	288 147	8 686	-	-	-
- Trade Receivables from Exchange Transactions			124 533 889	124 533 889	-	-	-	-
- Trade Receivables from Non-exchange Transactions			60 163 963	60 163 963	-	-	-	-
- Cash and Cash Equivalents			(8 079)	(8 079)	-	-	-	-
Variable Interest Rate Instruments			84 261 785	84 261 785	-	-	-	-
- Call Deposits		6,55%	78 566 856	78 566 856	-	-	-	-
- Bank Account		5,50%	5 694 930	5 694 930	-	-	-	-
			269 248 390	**269 239 704**	**8 686**	**-**	**-**	**-**
30 June 2016								
Non-interest Bearing			176 499 385	175 674 419	5 371	819 595	-	-
- Long-term Receivables			304 574	(520 392)	5 371	819 595	-	-
- Trade Receivables from Exchange Transactions			121 544 273	121 544 273	-	-	-	-
- Trade Receivables from Non-exchange Transactions			54 658 617	54 658 617	-	-	-	-
- Cash and Cash Equivalents			(8 079)	(8 079)	-	-	-	-
Variable Interest Rate Instruments			78 581 531	78 581 531	-	-	-	-
- Call Deposits		5,99%	75 798 167	75 798 167	-	-	-	-
- Bank Account		4,90%	2 783 364	2 783 364	-	-	-	-
			255 080 916	**254 255 950**	**5 371**	**819 595**	**-**	**-**

	2017	2016
	R	R

51 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

51.1 Compensation of Related Parties

Name of Related Person	Designation	Amount	Description of Related Party Relationship
S. Meleni	Official	233 358	Wife of councillor Meleni
M. Jenneker	Official	226 519	Daughter of the Manager Expenditure
N. Baartman	Official	250 847	Daughter of the Manager Asset & Fleet
B. Marais	Official	300 039	Son of the Manager Technical Services

51.2 Purchases from Related Parties

Listed below are the transactions with related parties during the financial year 2016/2017

Company Name	Related Person	Municipal Capacity	Description of Related Party	Purchases for the
Central Bridge Trading 436 CC	Z Thume	Official	Wife of the Director	134 310,80
Kwa Nandipha Catering	P Dondashe	Official	Husband of Director	140 339,00
Algoatime	J Beda	Official	Husband of Director	65 969,79
Alvivect (Prt) Ltd	N Zode	Official	Wife of the Director	404 484,00
Total Purchases				**801 643,59**

Refer to note 32 and 33 for remuneration of senior management and note 48.6 for councillors outstanding municipal accounts.

52 CONTINGENT LIABILITIES

	2017	2016
52.1 Court Proceedings:	**49 241 207**	**109 495 066**
(i) Council is involved in a dispute with different individuals as at 30 June 2017:		
Claims against the municipality	46 177 775	108 243 375
Possible legal fees	3 063 432	1 251 691

Detailed Description	2017	2016
Savage unfair dismissal	250 000	250 000
Snyders unfair dismissal	210 000	210 000
Jansen outstanding leave monies	191 275	191 275
Rabela & 11 others promotion dispute	30 000	30 000
Luthuli & others promotion dispute	-	345 000
Blouw & others recoup overpayment	400 000	400 000
Gysman claim for ex-gratia payment	100 000	100 000
Roodt unfair dismissal	-	90 000
Vumazonke unfair dismissal	-	40 000
Myaneko & 11 others enforce a settlement agreement	100 000	100 000
L Syce legal opinion		29 681
Ziboti applied for condonation		25 000
Gysman unfair dismissal	180 000	
GCG consulting Engineers breach of contract	20 900 000	20 900 000
Tauris garden breach of contract	1 960 000	56 000 000
Eviction of Unlawful occupiers from Erf 3060, Erf 3523, Erf 3769		32 000
B Ntilini Erf 3060 Humansdorp eviction	7 000	
F Mema Erf 1104 Hankey eviction	7 000	
Atkinson damage to property	9 300 000	15 000 000
Landman & co transfer into the name of New Gospel Church		8 600
Impelelo Construction High court action	2 800 000	2 800 000
Plaatjies High court claim	12 100 000	12 100 000
FL Becker/ Sf Francis Links High court application		150 000
Armand Bester High court claim		197 000
Cape Retirement Fund claim for payment of contributions	166 500	166 500
Port St Francis Harbour High court application		100 000
Liyasakha Trading & Kouga Plant for Arbitration	524 584	
Mr Mullins Erf 324 Jeffreys Bay	14 848	
TOTAL	**49 241 207**	**109 265 056**

	2017 R	2016 R
53 CONTINGENT ASSETS		
53.1 Insurance Claims:	**1 271 590**	**10 639 057**
(i) Lost / Damaged Assets:	1 271 590	10 639 057

54 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

55 PRIVATE PUBLIC PARTNERSHIPS

The municipality is in the process of setting up a municipal entity, a company not having share capital. The main business and objects of the entity will be to market and develop tourism for the entire district. At year-end the entity was yet to be registered.

56 EVENTS AFTER THE REPORTING DATE

On 27 October 2017, Council approved a write-off of unauthorised expenditure amounting to R 81,408,523, incurred for the period 1 July 2009 to 30 June 2010, in accordance with Section 32(2)(a)(ii) of the MFMA.

57 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note N/A) and Prior Period Errors (Note 43).

58 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A

LOANS AND FINANCE LEASES REGISTER JUNE 2017

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2015	Corrections	Restated balances at 30/06/2015	Corrections / Recognised during the year	Redemption during the year	Balance at 30/06/2017	Current portion Redemption 2017	Non-current liability 30/06/2018
	R	%			R		R	R	R	R		
ANNUITY LOANS:												
ABSA	166 000	14,50%	528	30/11/2018	59 034		59 034		(13 205)	37 618	(16 776)	20 843
Total ABSA	**166 000**				**59 034**	**-**	**59 034**	**-**	**(13 205)**	**37 618**	**(16 776)**	**20 843**
ASDR &Cacadu	**938 870**	14,25%	513	30/12/2011	**118 263**		**118 263**		-	0		**0**
Total ASDR &Cacadu	**938 870**				**118 263**	**-**	**118 263**	**-**	**-**	**0**	**-**	**0**
DBSA	67 602 200	11,180%	61007231	31/12/2024	49 602 111		49 602 111		(5 742 759)	36 696 689	(6 428 158)	30 268 532
Total DBSA	**67 602 200**				**49 602 111**	**0**	**49 602 111**	**0**	**(5 742 759)**	**36 696 689**	**(6 428 158)**	**30 268 532**
INCA	71 157 199	11,88%		30/06/2016	6 191 108		6 191 108		-	(0)		(0)
Total INCA	**71 157 199**				**6 191 108**	**-**	**6 191 108**	**-**	**-**	**(0)**	**-**	**(0)**
Total Annuity Loans	**139 864 268**				**55 970 516**	**-**	**55 970 516**	**-**	**-5 755 964**	**36 734 308**	**-6 444 933**	**30 289 374**
Operating leases reclassified as finance leases					**4 535 830**		**4 535 830**		**(2 811 993)**	**4 432 790**	(2 154 968)	2 277 823
Total capitalised lease liabilities	**1 822 463**				**4 535 830**	**-**	**4 535 830**	**-**	**(2 811 993)**	**4 432 790**	**(2 154 968)**	**2 277 823**
TOTAL EXTERNAL LOANS					**60 506 347**		**60 506 347**	**-**	**-8 567 958**	**41 167 098**	**(8 599 901)**	**32 567 197**

APPENDIX B

KOUGA LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
					Municipal Governance and Administration						
34 110	100 000	24 933 166	30 458 544	(24 899 056)	Executive and Council		3 744	-	30 867 106	-	(30 863 362)
34 110	*100 000*	*16 295 298*	*19 009 020*	*(16 261 188)*	*Council*	*130*	*3 744*	-	*20 079 145*	-	*(20 075 402)*
-	-	*1 040 210*	*1 182 189*	*(1 040 210)*	*Executive Mayor*	*530*	-	-	*917 863*	-	*(917 863)*
-	-	-	-	-	*Executive Mayor: Secretariate*	*531*	-	-	-	-	-
-	-	*610 846*	*606 045*	*(610 846)*	*MM: Media*	*572*	-	-	*662 807*	-	*(662 807)*
-	-	*753 947*	*729 462*	*(753 947)*	*MM: PMS*	*571*	-	-	*806 592*	-	*(806 592)*
-	-	-	-	-	*MM: Risk Management*	*229*	-	-	-	-	-
-	-	-	-	-	*MM: Secretariate*	*573*	-	-	-	-	-
-	-	*6 232 864*	*8 931 828*	*(6 232 864)*	*Muninicipal Manager*	*570*	-	-	*8 400 699*	-	*(8 400 699)*
				-							-
227 499 507	226 621 716	73 332 383	82 960 432	154 167 124	Budget and Treasury Office		261 755 446	-	86 522 930	-	175 232 516
136 064 932	*137 362 151*	*6 079 601*	*6 531 168*	*129 985 332*	*Finance: Assessment Rates*	*030*	*149 827 907*	-	*5 289 598*	-	*144 538 310*
15 000	-	*3 187 827*	*9 063 173*	*(3 172 827)*	*Finance: Asset & Fleet Management*	*226*	*2 208 211*	-	*2 708 981*	-	*(500 769)*
5 031 308	*2 984 460*	*5 669 757*	*9 948 427*	*(638 449)*	*Finance: Budget & Financial Reporting*	*221*	*7 776 128*	-	*4 109 810*	-	*3 666 317*
82 585 979	*81 995 228*	*1 010 953*	*3 379 168*	*81 575 026*	*Finance: CFO*	*220*	*94 047 022*	-	*2 881 677*	-	*91 165 345*
453 581	*488 083*	*4 685 698*	*3 977 418*	*(4 232 116)*	*Finance: Expenditure*	*222*	*401 842*	-	*9 830 589*	-	*(9 428 747)*
3 243 507	*3 630 470*	*16 812 802*	*14 860 510*	*(13 569 294)*	*Finance: Revenue*	*223*	*7 428 828*	-	*20 342 794*	-	*(12 913 967)*
78 309	*134 521*	*1 613 895*	*1 976 798*	*(1 535 586)*	*Finance: SCM*	*228*	*49 540*	-	*1 485 222*	-	*(1 435 682)*
-	-	-	-	-	*Finance: Secretariate*	*225*	-	-	-	-	-
1	-	*1 634 124*	*1 660 449*	*(1 634 123)*	*Finance: Stores*	*227*	-	-	*3 824 548*	-	*(3 824 548)*
-	-	*2 408 869*	*2 100 590*	*(2 408 869)*	*Mechanical Workshop*	*550*	-	-	*2 076 340*	-	*(2 076 340)*
-	-	*4 847 485*	*5 389 453*	*(4 847 485)*	*Human Resources*	*333*	-	-	*4 954 816*	-	*(4 954 816)*
12	*20*	*22 600 438*	*21 302 345*	*(22 600 426)*	*Corporate Services*	*121*	-	-	*25 920 197*	-	*(25 920 197)*
26 876	*26 782*	*2 780 936*	*2 770 933*	*(2 754 060)*	*Corporate Services: Director*	*120*	*15 968*	-	*3 098 358*	-	*(3 082 390)*
				-							-
-	-	-	-	-			-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
				-							-
					Community and Public Safety						
5 263 616	4 722 223	14 254 374	15 942 837	(8 990 758)	Community and Social Services		4 284 793	-	14 881 043	-	(10 596 250)
1 100 500	*363 824*	*372 855*	*684 561*	*727 645*	*Cemetaries*	*110*	*431 045*	-	*415 789*	-	*15 256*
-	-	*131 950*	*603 848*	*(131 950)*	*Kouga Cultural Centre*	*400*	-	-	*163 804*	-	*(163 804)*
2 034 686	*2 041 275*	*4 567 734*	*5 364 395*	*(2 533 048)*	*Libraries*	*500*	*1 818 223*	-	*4 730 173*	-	*(2 911 950)*
-	-	*145 785*	*132 560*	*(145 785)*	*Museum*	*580*	-	-	*277 696*	-	*(277 696)*
-	-	*3 846 997*	*3 342 098*	*(3 846 997)*	*Beach*	*040*	*(72 547)*	-	*4 357 318*	-	*(4 429 865)*
-	-	*188 855*	*437 172*	*(188 855)*	*Blue Flag*	*041*	-	-	*221 971*	-	*(221 971)*
2 127 820	*2 316 514*	*3 492 467*	*3 573 115*	*(1 364 647)*	*Caravan Parks*	*100*	*2 108 072*	-	*3 235 141*	-	*(1 127 068)*
-	-	*1 331 905*	*1 218 279*	*(1 331 905)*	*Community & Social Services: Director*	*791*	-	-	*1 305 390*	-	*(1 305 390)*
-	-	*175 825*	*586 810*	*(175 825)*	*Community Services*	*115*	-	-	*173 762*	-	*(173 762)*
610	*610*	-	-	*610*	*Pound*	*705*	-	-	-	-	-
				-							-
16 885 337	10 069 118	33 038 301	34 609 397	(16 152 963)	Public Safety		18 544 451	-	37 225 791	-	(18 681 340)
596 581	*2 086*	*14 065 853*	*14 410 780*	*(13 469 272)*	*Fire Services*	*230*	*1 350 211*	-	*16 586 894*	-	*(15 236 682)*
-	-	*542 861*	*776 478*	*(542 861)*	*Disaster Management*	*140*	-	-	*584 789*	-	*(584 789)*
6 624 011	*7 783 727*	*4 121 790*	*4 240 416*	*2 502 221*	*National Traffic*	*590*	*7 038 291*	-	*4 131 455*	-	*2 906 837*
9 664 745	*2 283 305*	*14 307 797*	*15 181 723*	*(4 643 051)*	*Protection Services*	*710*	*10 155 948*	-	*15 922 654*	-	*(5 766 705)*
				-							-
16 732	40 589	26 536 551	26 039 008	(26 519 819)	Sport and Recreation		966	-	28 092 290	-	(28 091 324)
13 773	*27 547*	*25 974 842*	*25 408 932*	*(25 961 068)*	*Parks & Open Space*	*680*	-	-	*27 323 984*	-	*(27 323 984)*

APPENDIX B
KOUGA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
2 958	*13 042*	*561 709*	*630 076*	*(558 751)*	*Sport & Recreation*	*800*	*966*	-	*768 305*	-	*(767 340)*
				-							-
-	-	2 911 986	3 379 748	(2 911 986)	**Housing**		-	-	3 266 730	-	(3 266 730)
-	-	*2 911 986*	*3 379 748*	*(2 911 986)*	*Housing Services*	*325*	-	-	*3 266 730*	-	*(3 266 730)*
				-							-
-	-	2 045	360 000	(2 045)	**Health**		-	-	394 696	-	(394 696)
-	-	-	-	-	*Clinic AndriesKRaal*	*323*	-	-	-	-	-
-	-	-	-	-	*Clinic Kwanomzamo*	*321*	-	-	-	-	-
-	-	-	-	-	*Clinic Pellsrus*	*322*	-	-	-	-	-
-	-	-	-	-	*Health (Primary)*	*320*	-	-	-	-	-
-	-	*2 045*	*360 000*	*(2 045)*	*Occupational Health and Safety*	*650*	-	-	*394 696*	-	*(394 696)*
				-							-
					Economic and Environmental Services						
15 363 347	15 600 410	10 535 189	10 604 936	4 828 158	Environmental Protection		15 854 609	-	7 813 740	-	8 040 869
2 908 521	*1 768 310*	*3 569 298*	*3 839 054*	*(660 777)*	*Environmental Health*	*210*	*2 506 839*	-	*3 713 259*	-	*(1 206 420)*
678 929	*1 142 685*	*7 231*	*32 007*	*671 697*	*Nature Reserves*	*600*	*947 076*	-	*40 227*	-	*906 849*
11 775 897	*12 689 415*	*6 958 660*	*6 733 875*	*4 817 238*	*Enviromental Management Fee*	*731*	*12 400 695*	-	*4 060 255*	-	*8 340 440*
				-							-
3 412 359	1 812 235	14 614 956	17 020 463	(11 202 598)	Planning and Development		2 695 183	-	19 675 754	-	(16 980 571)
-	-	*729 470*	*802 173*	*(729 470)*	*Economic Development: Agriculture*	*171*	-	-	*121 226*	-	*(121 226)*
-	-	*736 307*	*1 069 872*	*(736 307)*	*Economic Development: Business*	*172*	-	-	*837 941*	-	*(837 941)*
-	-	*1 593 832*	*1 614 961*	*(1 593 832)*	*Economic Development: General*	*170*	-	-	*1 726 382*	-	*(1 726 382)*
1 522 946	*100 000*	*1 773 030*	*1 855 430*	*(250 084)*	*Economic Development: Tourism*	*173*	-	-	*3 083 504*	-	*(3 083 504)*
-	-	*1 663 578*	*1 712 369*	*(1 663 578)*	*IDP/LED*	*340*	-	-	*1 655 513*	-	*(1 655 513)*
-	-	*1 381 997*	*1 490 085*	*(1 381 997)*	*Social Development*	*790*	-	-	*1 571 438*	-	*(1 571 438)*
-	-	-	-	-	*Director Plaaning and Development*	*701*	-	-	*4 821 324*	-	*(4 821 324)*
1 889 413	*1 712 235*	*6 736 743*	*8 475 573*	*(4 847 330)*	*Planning & Development*	*700*	*2 695 183*	-	*5 858 425*	-	*(3 163 242)*
				-							-
4 792 775	3 250 602	87 264 436	63 725 948	(82 471 661)	Roads and Transport		3 577 866	-	89 955 209	-	(86 377 344)
2 209 542	*2 249 354*	*2 093 192*	*2 111 267*	*116 350*	*Water Ways*	*990*	*2 519 408*	-	*2 909 786*	-	*(390 378)*
2 583 233	*1 001 248*	*85 171 244*	*61 614 681*	*(82 588 011)*	*Public Works*	*720*	*1 058 458*	-	*87 045 424*	-	*(85 986 966)*
				-							-
					Trading Services						
209 248 019	217 874 726	194 965 216	209 495 757	14 282 803	Electricity		215 811 360	-	210 320 649	-	5 490 711
209 248 019	*217 874 726*	*194 965 216*	*209 495 757*	*14 282 803*	*Electricity*	*190*	*215 811 360*	-	*210 320 649*	-	*5 490 711*
				-							-
89 753 406	89 680 438	60 122 391	71 019 723	29 631 015	Waste Management		97 438 908	-	59 603 316	-	37 835 592
41 196	*50 462*	*4 559 130*	*4 552 012*	*(4 517 934)*	*Sanitation*	*750*	*42 570*	-	*4 065 299*	-	*(4 022 729)*
67 082 060	*66 699 480*	*25 552 533*	*33 717 909*	*41 529 527*	*Sewerage*	*780*	*72 717 038*	-	*25 600 485*	-	*47 116 553*
22 630 151	*22 930 496*	*30 010 728*	*32 749 802*	*(7 380 578)*	*Refuse Removal*	*730*	*24 679 300*	-	*29 937 531*	-	*(5 258 232)*
				-							-
-	-	-	-	-			-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
				-							-
92 724 352	98 404 229	62 460 500	55 793 021	30 263 852	Water		54 548 523	-	65 774 719	-	(11 226 196)
92 724 352	*98 404 229*	*62 460 500*	*55 793 021*	*30 263 852*	*Water*	*980*	*54 548 523*	-	*65 774 719*	-	*(11 226 196)*
842 242	2 323 011	14 288 427	22 430 768	(13 446 185)	**Other**		2 672 426	-	13 405 545	-	(10 733 119)
277 710	*202 632*	*897 849*	*2 061 233*	*(620 139)*	*Skills Development*	*820*	-	-	*884 897*	-	*(884 897)*
(173 902)	*31 921*	*4 701 277*	*6 784 066*	*(4 875 179)*	*Finance: IT*	*224*	-	-	*3 260 397*	-	*(3 260 397)*
235 922	*9 397*	*1 893 897*	*2 070 135*	*(1 657 974)*	*Engineering*	*200*	*970 920*	-	*2 255 792*	-	*(1 284 873)*
-	*1 540 000*	*1 371 013*	*1 327 172*	*(1 371 013)*	*Mig Administration Unit*	*560*	*1 516 300*	-	*1 396 946*	-	*119 354*
-	-	*1 055 964*	*1 056 731*	*(1 055 964)*	*Technical Services: Director*	*551*	-	-	*1 095 107*	-	*(1 095 107)*
-	-	-	-	-	*Technical Services: Secretariate*	*552*	-	-	-	-	-
-	-	*1 240 467*	*1 105 071*	*(1 240 467)*	*Strategic Services: Director*	*330*	-	-	*1 412 524*	-	*(1 412 524)*
-	-	-	-	-	*Strategic Services: Secretariate*	*331*	-	-	-	-	-
502 512	*539 062*	*3 127 960*	*8 026 362*	*(2 625 448)*	*Building & Property*	*070*	*185 206*	-	*3 099 884*	-	*(2 914 677)*
				-							-
665 835 801	**670 499 297**	**619 259 921**	**643 840 582**	**46 575 880**	Sub-Total		**677 188 273**	**-**	**667 799 518**	**-**	**9 388 755**
					Revenue Foregone						

APPENDIX B

KOUGA LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
665 835 801	670 499 297	619 259 921	643 840 582	46 575 880	Total		677 188 273	-	667 799 518	-	9 388 755

APPENDIX C
KOUGA LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	-	-	3 744	-	3 744	0.00	0.00				34 110
Vote 2 - FINANCIAL SERVICES	246 307 523	6 815 798	253 123 321	-	(253 123 321)	-	261 739 478	-	261 739 478	0.00	106,27				227 298 715
Vote 3 - ADMINISTRATION, MONITORING AND EVALUAT	30 900	-	30 900	-	(30 900)	-	15 968	-	15 968	0.00	51,68				26 889
Vote 4 - SOCIAL SERVICES	60 820 978	(2 134 903)	58 686 075	-	(58 686 075)	-	65 883 526	-	65 883 526	0.00	108,32				62 368 725
Vote 5 - INFRACTRUCTURE, PLANNING & DEVELOPME	367 921 002	(2 781 295)	365 139 707	-	(365 139 707)	-	349 545 558	-	349 545 558	0.00	95,01				374 306 706
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	477 192	-	477 192	-	(477 192)	-	-	-	-	0.00	0.00				1 800 656
Total Revenue by Vote	675 557 594	1 899 600	677 457 195	-	(677 457 195)	-	677 188 273	-	677 188 273	0.00	100,24	-	-	-	665 835 801
EXPENDITURE BY VOTE															
Vote 1 - EXECUTIVE & COUNCIL	32 142 145	(1 106 146)	31 035 999	-	(31 035 999)	-	30 867 106	-	30 867 106	0.00	96,03				24 933 166
Vote 2 - FINANCIAL SERVICES	59 196 853	(4 083 520)	55 113 333	-	(55 113 333)	-	53 776 002	-	53 776 002	0.00	90,84				45 493 692
Vote 3 - ADMINISTRATION, MONITORING AND EVALUAT	31 900 833	1 212 857	33 113 690	-	(33 113 690)	-	33 973 371	-	33 973 371	0.00	106,50				30 228 859
Vote 4 - SOCIAL SERVICES	127 754 387	3 569 344	131 323 731	-	(131 323 731)	-	127 505 660	-	127 505 660	0.00	99,81				117 720 426
Vote 5 - INFRACTRUCTURE, PLANNING & DEVELOPME	423 952 062	9 444 886	433 396 948	-	(433 396 948)	-	416 677 123	-	416 677 123	0.00	98,28				392 215 054
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	11 410 243	(176 726)	11 233 517	-	(11 233 517)	-	9 885 791	-	9 885 791	0.00	86,64				8 766 484
Total Expenditure by Vote	686 356 523	8 860 695	695 217 218	-	(695 217 218)	-	672 685 052	-	672 685 052	0.00	98,01	-	-	-	619 357 681
Surplus/(Deficit) for the year	**(10 798 928)**	**(6 961 095)**	**(17 760 023)**	**-**	**17 760 023**	**-**	**4 503 220**	**-**	**4 503 220**	**0.00**	**0.00**	**-**	**-**	**-**	**46 478 120**

APPENDIX D

KOUGA LOCAL MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 0F 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	38 175 000	29 297 000	22 907 000	0	38 175 000	29 297 000	22 907 000	0	0	0	0	0	N/A	Yes	N/A
FMG	Nat Treasury	1 625 000	0	0	0	151129	153276	167150	1152987	0	0	0	329 000	Refer to Note 17	Yes	N/A
MIG Projects	MIG	5 144 000	25 182 000	7 000 000	0	5150559	8689560	5508754	17977137	0	0	0	0	N/A	Yes	N/A
DME Projects	DME	6 000 000	0	0	0	346282	0	0	5637047	0	0	0	0	N/A	Yes	N/A
MSIG	DPLG	0	0	0	0	0	0	0	0	0	0	0	913 471	Refer to Note 17	Yes	N/A
EPWP Incentive Grant	Province	264 000	476 000	317 000	0	315021	0	183390	0	0	0	0	0	N/A	Yes	N/A
Total Grants and Subsidies Received		**51 208 000**	**54 955 000**	**30 224 000**	**0**	**44 137 991**	**38 139 836**	**28 766 294**	**24 767 171**	**0**	**0**	**0**	**1 242 471**			