



Bela Bela Local Municipality
Annual Financial Statements
for the year ended 30 June 2017
(LIM 366)

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Local Municipality, governed by the MFMA (No 56 of 2003)
Nature of business and principal activities	Local Municipality
Council	
Mayor	Hon. M.J Ngobeni
Executive Councillors	Cllr R.Z Moeletsi (Speaker) Cllr M.H Ledwaba (Chief Whip) Cllr J.F Van der Merwe Cllr S.E Maluleka
Other Councillors	Cllr M.D. Senosha Cllr F.S Hlungwane Cllr L.R. Modimela Cllr M.N Ras Cllr Y.M.S. Maletse Cllr M.A. Shika Cllr M.J. Makhubela Cllr S.D. Seale Cllr P.M Aphane Cllr K.F. Mothokwa Cllr T.R. Masemola Cllr A.R. Mosweou
In the course of the reporting period, the following councillors ceased to be political office-bearers	Cllr S. Maluleka Cllr M. Radebe Cllr M. Mokanyana Cllr G.T. Maletse Cllr K. Alberts Cllr W. Mokhethwa Cllr P. Mahlangu
Grading of local authority	Level 3
Acting Chief Finance Officer (CFO)	Ms L. Phasha
Acting Municipal Manager	Mr. F.R. Ntekele
Registered office	58 Chris Hani Drive Bela Bela
Postal address	Bela Bela Local Municipality Private Bag X1609 Bela Bela 0480
Bankers	Absa Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Moloto Attorneys Mohale Incorporated Attorneys
Published	31 August 2017

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

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

	Page
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Appropriation Statement	12 - 13
Accounting Policies	14 - 43
Notes to the Annual Financial Statements	44 - 91
Appendixes:	
Appendix A: Schedule of External loans	92
Appendix B: Analysis of Property, Plant and Equipment	93
Appendix C: Segmental analysis of Property, Plant and Equipment	99
Appendix D: Segmental Statement of Financial Performance	101
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	102
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	103
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	104
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	106
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
MSCOA	Municipal Standard Chart Of Accounts

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 6-89, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.



Mr. F.R. Ntekele
Acting Municipal Manager

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net surplus of the municipality was R 76 766 561 (2016: deficit R 37 622 762).

2. Going concern

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

3. Subsequent events

Subsequent to the reporting period, the contract of the Municipal Manager expired on the 31 of July 2017. An interim acting Municipal Manager was appointed by the Council as required by the Municipal System Act.

4. Submission of annual financial statements

The annual financial statements were submitted 31 August 2017. The municipality complied with the requirements of Section 126 of the Municipal Finance Management Act.

5. Accounting policies

The annual financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board.

6. Corporate governance

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

6.1 Fruitless and wasteful expenditure

The current year fruitless and wasteful expenditure amounting to R2 014 995 relates to interest charge on late payment of invoices from Eskom (R1 907 094), Auditor General (R48 849) and Magalies (R59 052).

6.2 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

6.3 Audit Committee

Mr. S.A.B Ngobeni was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors of the municipality onto the audit committee.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

6.4 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

The chief internal auditor is Mr.M.C Kabe.

7. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

8. Auditors

The municipality is audited by the Auditor General of South Africa

9. Public Private Partnership

During the financial period under review, Bela Bela Local Municipality did not enter into any Public Private Partnerships.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated
Assets			
Current Assets			
Inventories	10	203 621	145 329
Receivables from non-exchange transactions	11	1 813 802	1 386 931
Receivables from non-exchange transactions	12	805 178	3 200 367
VAT	13	18 159 941	6 121 836
Consumer debtors from non-exchange transactions	14	11 910 668	4 774 913
Consumer debtors from exchange transactions	14	12 746 106	10 855 191
Sundry debtors	8	4 403 058	10 005 349
Agreements	9	161 427	651 192
Cash and cash equivalents	15	1 301 041	31 381 571
		51 504 842	68 522 679
Non-Current Assets			
Investment property	3	353 360 623	343 027 146
Property, plant and equipment	4	659 364 790	589 331 937
Intangible assets	5	2 139 990	2 016 926
Heritage assets	6	538 950	538 950
Sundry debtors	9	257 584	326 971
		1 015 661 937	935 241 930
Total Assets		1 067 166 779	1 003 764 609
Liabilities			
Current Liabilities			
Finance lease obligation	16	10 860 744	10 003 106
Payables from exchange transactions	20	107 242 951	111 690 419
Consumer deposits	21	5 450 124	5 350 810
Unspent conditional grants and receipts	17	25 502 790	34 434 029
Provisions	18	5 405 899	5 122 692
Unknown deposits	19	4 914 432	9 906 250
		159 376 940	176 507 306
Non-Current Liabilities			
Finance lease obligation	16	7 669 361	18 530 105
Employee benefit obligation	7	39 188 870	37 447 894
Provisions	18	38 682 172	25 796 438
		85 540 403	81 774 437
Total Liabilities		244 917 343	258 281 743
Net Assets		822 249 436	745 482 866
Accumulated surplus		822 249 436	745 482 866

* See Note 46

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	24	147 043 336	141 587 947
Rental of facilities and equipment	40	1 099 298	1 106 503
Licences and permits		3 256 242	3 201 147
Administration and management fees received		396 756	316 257
Commissions received		61 098	63 061
Demand charges		210 524	410 926
Other income	27	7 612 504	1 875 710
Town planning scheme		514 515	435 200
Interest received	33	10 479 479	6 235 144
Total revenue from exchange transactions		170 673 752	155 231 895
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	62 467 982	46 336 732
Donations	26	-	7 270 367
Transfer revenue			
Government grants and subsidies	25	175 928 195	104 252 391
Fines	28	12 756 400	3 028 800
Total revenue from non-exchange transactions		251 152 577	160 888 290
Total revenue	22	421 826 329	316 120 185
Expenditure			
Employee related costs	30	(109 989 002)	(103 691 638)
Remuneration of councillors	31	(6 618 099)	(6 325 882)
Depreciation and amortisation	35	(49 098 308)	(30 808 519)
Impairment loss/ Reversal of impairments	36	(237 576)	(66 513)
Finance costs	38	(10 317 130)	(6 495 816)
Debt impairment	32	(32 309 464)	(29 176 475)
Repairs and maintenance		(7 806 277)	(12 128 665)
Bulk purchases	41	(86 416 900)	(78 914 997)
General expenses	29	(53 800 605)	(89 884 858)
Total expenditure		(356 593 361)	(357 493 363)
Operating surplus (deficit)		65 232 968	(41 373 178)
Loss on disposal of assets		(3 514 272)	(1 968 058)
Fair value adjustments	34	12 278 941	13 203 875
Actuarial gain / (loss)	37	2 768 924	(7 485 400)
		11 533 593	3 750 417
Surplus (deficit) for the year		76 766 561	(37 622 761)

* See Note 46

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	790 648 392	790 648 392
Changes in net assets		
Deficit for the year	(37 622 762)	(37 622 762)
Total changes	(37 622 762)	(37 622 762)
Opening balance as previously reported	753 025 629	753 025 629
Adjustments		
Prior year adjustments - note 46	(7 542 767)	(7 542 767)
Restated* Balance at 01 July 2016 as restated*	745 482 866	745 482 866
Changes in net assets		
Deficit for the year	76 766 561	76 766 561
Total changes	76 766 561	76 766 561
Balance at 30 June 2017	822 249 427	822 249 427

* See Note 46

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		189 222 906	170 295 052
Appropriation		166 996 956	138 686 420
Interest income		10 479 479	6 235 144
Other receipts		31 509 629	3 599 829
		398 208 970	318 816 445
Payments			
Employee costs		(115 648 030)	(107 952 576)
Suppliers		(103 919 635)	(48 951 832)
Other payments		(86 416 893)	(78 914 995)
		(305 984 558)	(235 819 403)
Net cash flows from operating activities	42	92 224 412	82 997 042
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(112 017 456)	(83 011 082)
Purchase of other intangible assets	5	(284 380)	(25 000)
Net cash flows from investing activities		(112 301 836)	(83 036 082)
Cash flows from financing activities			
Loan - proceeds		-	(3 278 875)
Finance lease payments		(10 003 106)	22 043 120
Net cash flows from financing activities		(10 003 106)	18 764 245
Net increase/(decrease) in cash and cash equivalents		(30 080 530)	18 725 205
Cash and cash equivalents at the beginning of the year		31 381 571	12 656 366
Cash and cash equivalents at the end of the year	15	1 301 041	31 381 571

* See Note 46

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	164 490 180	-	164 490 180	147 043 336	(17 446 844)	Note 56, N1
Rental of facilities and equipment	1 550 000	-	1 550 000	1 099 298	(450 702)	Note 56, N2
Licences and permits	15 000 000	-	15 000 000	3 256 242	(11 743 758)	Note 56, N3
Administration and management fees received	300 000	-	300 000	396 756	96 756	
Commissions received	45 000	-	45 000	61 098	16 098	Note 56, N4
Demand charges	8 155 169	-	8 155 169	210 524	(7 944 645)	Note 56, N5
Other income	5 378 000	-	5 378 000	7 612 504	2 234 504	Note 56, N6
Town planning scheme	550 000	-	550 000	514 515	(35 485)	
Interest received	3 800 000	4 500 000	8 300 000	10 479 479	2 179 479	Note 56, N7
Total revenue from exchange transactions	199 268 349	4 500 000	203 768 349	170 673 752	(33 094 597)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	94 647 886	(15 000 000)	79 647 886	62 467 982	(17 179 904)	Note 56, N8
Transfer revenue						
Government grants and subsidies	151 689 000	-	151 689 000	175 928 195	24 239 195	Note 56, N9
Fines	13 000 000	-	13 000 000	12 756 400	(243 600)	Note 56, N10
Total revenue from non-exchange transactions	259 336 886	(15 000 000)	244 336 886	251 152 577	6 815 691	
Total revenue	458 605 235	(10 500 000)	448 105 235	421 826 329	(26 278 906)	
Expenditure						
Personnel	(104 757 541)	(12 791 754)	(117 549 295)	(109 989 002)	7 560 293	
Remuneration of councillors	(6 707 924)	-	(6 707 924)	(6 618 099)	89 825	
Depreciation and amortisation	(28 000 000)	-	(28 000 000)	(49 098 308)	(21 098 308)	
Impairment loss/ Reversal of impairments	-	-	-	(237 576)	(237 576)	
Finance costs	(2 645 743)	-	(2 645 743)	(10 317 130)	(7 671 387)	
Debt impairment	(15 000 000)	-	(15 000 000)	(32 309 464)	(17 309 464)	
Repairs and maintenance	(29 811 500)	13 950 000	(15 861 500)	(7 806 277)	8 055 223	Note 56, N11
Bulk purchases	(104 905 949)	5 000 000	(99 905 949)	(86 416 900)	13 489 049	Note 56, N12
General expenses	(84 374 155)	3 492 646	(80 881 509)	(53 800 605)	27 080 904	Note 56, N13
Total expenditure	(376 202 812)	9 650 892	(366 551 920)	(356 593 361)	9 958 559	
Operating surplus / (deficit)	82 402 423	(849 108)	81 553 315	65 232 968	(16 320 347)	
Loss on disposal of assets and liabilities	-	-	-	(3 514 272)	(3 514 272)	
Fair value adjustments	-	-	-	12 278 941	12 278 941	
Actuarial gain / (loss)	-	-	-	2 768 924	2 768 924	
	-	-	-	11 533 593	11 533 593	

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus / (Deficit) before taxation	82 402 423	(849 108)	81 553 315	76 766 561	(4 786 754)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	82 402 423	(849 108)	81 553 315	76 766 561	(4 786 754)	

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	94 647 886	(15 000 000)	79 647 886	-	-	79 647 886	62 467 982	(17 179 904)	(17 179 904)	78 %	66 %
Service charges	164 490 180	-	164 490 180	-	-	164 490 180	147 043 336	(17 446 844)	(17 446 844)	89 %	89 %
Investment revenue	300 000	1 000 000	1 300 000	-	-	1 300 000	10 479 479	9 179 479	9 179 479	806 %	3 493 %
Transfers recognised - operational	71 118 000	-	71 118 000	-	-	71 118 000	117 432 954	46 314 954	46 314 954	165 %	165 %
Other own revenue	47 478 169	3 500 000	50 978 169	-	-	50 978 169	40 955 202	(10 022 967)	(10 022 967)	80 %	86 %
Total revenue (excluding capital transfers and contributions)	378 034 235	(10 500 000)	367 534 235	-	-	367 534 235	378 378 953	10 844 718	10 844 718	103 %	100 %
Employee costs	(104 757 541)	(12 791 754)	(117 549 295)	-	-	(117 549 295)	(109 989 002)	7 560 293	7 560 293	94 %	105 %
Remuneration of councillors	(6 707 924)	-	(6 707 924)	-	-	(6 707 924)	(6 618 099)	89 825	89 825	99 %	99 %
Debt impairment	(15 000 000)	-	(15 000 000)	-	-	(15 000 000)	(32 309 464)	(17 309 464)	(17 309 464)	215 %	215 %
Depreciation and asset impairment	(28 000 000)	-	(28 000 000)	-	-	(28 000 000)	(49 335 884)	(21 335 884)	(21 335 884)	176 %	176 %
Finance charges	(2 645 743)	-	(2 645 743)	-	-	(2 645 743)	(10 317 130)	(7 671 387)	(7 671 387)	390 %	390 %
Materials and bulk purchases	(134 717 449)	18 950 000	(115 767 449)	-	-	(115 767 449)	(86 416 900)	29 350 549	29 350 549	75 %	64 %
Other expenditure	(84 374 155)	3 492 646	(80 881 509)	-	-	(80 881 509)	(65 121 154)	15 760 355	15 760 355	81 %	77 %
Total expenditure	(376 202 812)	9 650 892	(366 551 920)	-	-	(366 551 920)	(360 107 633)	6 444 287	6 444 287	98 %	96 %
Surplus/(Deficit)	1 831 423	(849 108)	982 315	-	-	982 315	18 271 320	17 289 005	17 289 005	1 860 %	998 %

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	80 571 000	-	80 571 000	-	-	80 571 000	58 495 241		(22 075 759)	73 %	73 %
Surplus (Deficit) after capital transfers and contributions	82 402 423	(849 108)	81 553 315	-	-	81 553 315	76 766 561		(4 786 754)	94 %	93 %
Surplus/(Deficit) for the year	82 402 423	(849 108)	81 553 315	-	-	81 553 315	76 766 561		(4 786 754)	94 %	93 %

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand. The accounting policies are consistent with the previous period.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, are disclosed below.

1.1 Going concern assumption

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

1.2 Significant judgements and estimates

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

Receivables

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

The impairment for receivable is calculated on a portfolio basis.

Fair value estimation

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

Post retirement benefits and other long term benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement benefits and other long-term benefits are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows. In the event that different rates were used, clear indication of the rate and the reasons are given.

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment determination is based on assessment of individual accounts.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Investment property

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

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

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.

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

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

The cost of self-constructed investment property is the cost at date of completion. Subsequent to initial recognition property plant is carried at cost less accumulated depreciation and any impairment losses.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are performed annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the statement of financial performance as part of the surplus and deficit.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment properties.
- land held for a currently undetermined future use.
- a building owned and leased out under one or more operating leases
- leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- a building that is vacant but is held to be leased out under one or more operating leases.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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

1.4 Property, plant and equipment

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Subsequent to initial recognition property plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	15 - 60 years
Leasehold property	Straight line	5 years
Plant and machinery	Straight line	4 - 5 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Computer software	Straight line	2 - 5 years
Infrastructure		
• Roads and paving	Straight line	5 - 100 years
• Pedestrian malls	Straight line	20 - 30 years
• Electricity	Straight line	10 - 60 years
• Water	Straight line	10 - 80 years
• Sewerage	Straight line	12 - 80 years

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Community		
• Buildings	Straight line	15 - 60 years
• Recreational facilities	Straight line	15 - 50 years
• Taxi ranks	Straight line	10 - 40 years
• Stadiums	Straight line	20 - 40 years
• Libraries	Straight line	15 - 60 years
• Parks and gardens	Straight line	10 - 50 years
• Other assets	Straight line	7 - 20 years
Ancillary fleet equipment and security	Straight line	15 years
Artwork	Straight line	5 years
Other equipment	Straight line	5 years
Communication equipment	Straight line	10 - 15 years

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

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

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

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

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

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

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

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

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

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located; changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

If the related asset is measured using the cost model:

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost. Subsequent to initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment losses.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at that date of acquisition.

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
------	-------------

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Computer software	2 years
Rights to use naturally occurring assets	Indefinite

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is recognised.

1.7 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost
Agreements	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unknown deposits	Financial liability measured at amortised cost
Financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value,

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

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

1.9 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term. Any contingent rents are recognised separately as an expense in the period which they are incurred.

1.10 Inventories

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

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

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

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

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

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

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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

1.11 Impairment of cash-generating assets

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

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.

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Reversal of impairment loss

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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.

Identification

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Post-employment benefits: Defined benefit plans

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

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

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Other long long-term employee benefits

The municipality provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

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 service awards are recognised in the statement of financial performance.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

A contingent liability is an:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

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

1.15 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Property rates

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

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

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. Revenue from traffic fines is recognised at a full amount on the issue of fines. Fines that are subject to settlement discount are measured using the Municipality's consideration on past history in assessing the likelihood of these discounts being taken up by debtors. Revenue is then measured at the fair value of the consideration received or receivable, net of estimated settlement discounts.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when:

- it is probable that the future economic benefits or service potential will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

Concessionary loans received

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

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

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

1.17 Borrowing costs

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

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

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 for detail.

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2013), and include:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

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

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statements are prepared on the accrual basis of accounting.

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

1.24 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows::

- Commitments approved and contracted for
- Commitments approved but not yet contracted for

1.25 Budget information

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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

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

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

1.26 Related parties

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

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. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

1.27 Events after reporting date

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

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

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

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

1.28 Agreements

One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

Recognition

Agreements are recognised when a debtor enter into a payment arrangement with the municipality. The amount to be recognised in the financial statements as an agreement, for either less than 12 months or over 12 months, consists of the amount outstanding as receivables as at the reporting date.

Measurement

Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months. Agreements are measured at amortised cost, using the effective interest rate, less provision for impairment losses ..

1.29 Accumulated surplus

Accumulated surplus is an equity account that the Municipality uses to accumulate surpluses / losses as a result of financial performance. Transfers to accumulated surplus can also be as a result of accounting policies of other equity accounts.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.30 Unknown deposits

Unknown deposits refer to amounts which were paid into municipal accounts without proper reference to be able to allocate amounts received to correct debtor accounts or relevant vote accounts.

Recognition

Once the payment is received, the municipality will try to trace the amount to allocate it to the correct debtors or vote account. After the municipality have exhausted all options, then the municipality will advertise to the public. Should the public not come to claim the amounts, then the municipality will classify the amount as revenue.

Measurement

The amount of unknown deposits is valued at fair value of the amount actually received.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.31 Statutory receivables

Identification

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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

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

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

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

Derecognition

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 108: Statutory Receivables

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

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

The municipality has formulated an accounting policy based on the standard and will adopt the standard for the first time when the Minister sets the effective date for the standard.

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

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

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

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

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

The municipality has formulated an accounting policy based on the standard and will adopt the standard for the first time when the Minister sets the effective date for the standard.

There was no significant impact on adoption of the amendment.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

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

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

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

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 37: Joint Arrangements

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

Notes to the Annual Financial Statements

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

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

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

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

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

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

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

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

GRAP 12 (as amended 2016): Inventories

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 16 (as amended 2016): Investment Property

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

The most significant changes to the Standard are:

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

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

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

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

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

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

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

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

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

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

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

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

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

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

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

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

GRAP 31 (as amended 2016): Intangible Assets

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

The most significant changes to the Standard are:

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

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

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

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

GRAP 103 (as amended 2016): Heritage Assets

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 110 (as amended 2016): Living and Non-living Resources

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

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

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

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

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

GRAP 20: Related parties

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

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

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and

Notes to the Annual Financial Statements

- determining the disclosures to be made about those items.

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

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

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

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

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

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

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

Notes to the Annual Financial Statements

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

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

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

3. Investment property

	2017		2016	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	328 076 974	25 283 649	317 743 497	25 283 649

Reconciliation of investment property - 2017

	Opening balance	Reclassify - cost	Fair value adjustments	Total
Investment property	343 027 146	(1 945 464)	12 278 941	353 360 623

Reconciliation of investment property - 2016

	Opening balance	Derecognition	Fair value adjustment	Correction of error	Total
Investment property	344 816 649	(14 719 767)	13 203 876	(273 612)	343 027 146

Pledged as security

The Municipality does not have any assets pledged as security.

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

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 483 127	-	3 483 127	3 483 127	-	3 483 127
Buildings	68 744 833	(40 434 568)	28 310 265	68 744 833	(38 895 874)	29 848 959
Plant and machinery	2 099 477	(968 531)	1 130 946	1 429 268	(666 423)	762 845
Furniture and fixtures	4 701 146	(3 321 756)	1 379 390	4 069 874	(3 142 015)	927 859
Motor vehicles	25 245 313	(11 844 333)	13 400 980	25 245 313	(3 392 454)	21 852 859
Office equipment	13 753 513	(13 181 887)	571 626	13 773 681	(9 291 055)	4 482 626
Infrastructure	1 014 329 615	(549 415 681)	464 913 934	957 261 329	(525 268 914)	431 992 415
Community	96 464 831	(39 044 946)	57 419 885	78 700 933	(41 069 017)	37 631 916
Work in progress	83 931 594	-	83 931 594	53 529 659	-	53 529 659
Emergency equipment	97 258	(77 101)	20 157	86 690	(69 904)	16 786
Recreational facilities	11 083 134	(6 280 248)	4 802 886	11 083 134	(6 280 248)	4 802 886
Total	1 323 933 841	(664 569 051)	659 364 790	1 217 407 841	(628 075 904)	589 331 937

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Derecognition	Reclassify	Transfers to additions	Provision adjustment	Depreciation	Impairment loss	Derecognition (acc depr)	Total
Land	3 483 127	-	-	-	-	-	-	-	-	3 483 127
Buildings	29 848 959	-	-	-	-	-	(1 538 694)	-	-	28 310 265
Plant and machinery	762 845	726 399	(56 191)	-	-	-	(354 955)	52 848	-	1 130 946
Furniture and fixtures	927 859	934 188	(302 916)	-	-	-	(460 632)	280 891	-	1 379 390
Motor vehicles	21 852 859	-	-	-	-	-	(8 451 879)	-	-	13 400 980
Office equipment	4 482 626	219 622	(239 790)	-	-	-	(4 120 942)	230 110	-	571 626
Infrastructure	431 992 415	56 791 159	(10 427 108)	-	-	10 704 235	(31 515 510)	7 368 743	-	464 913 934
Community	37 631 916	20 986 487	(938 169)	1 945 463	-	-	(2 485 605)	517 369	-	57 419 885
Work in progress	53 529 659	108 179 580	-	-	(77 777 645)	-	-	-	-	83 931 594
Emergency equipment	16 786	12 203	(1 636)	-	-	-	(8 775)	1 579	-	20 157
Recreational facilities	4 802 886	-	-	-	-	-	-	-	-	4 802 886
	589 331 937	187 849 638	(11 965 810)	1 945 463	(77 777 645)	10 704 235	(48 936 992)	(237 576)	8 451 540	659 364 790

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Derecognition	Impairments	Transfers to additions	Provision adjustment	Correction of Depreciation error	Impairment loss	Total	
Land	3 483 127	-	-	-	-	-	-	-	3 483 127	
Buildings	31 887 054	-	-	-	-	-	(2 038 095)	-	29 848 959	
Plant and machinery	193 299	801 670	(327 402)	-	-	-	(183 773)	279 051	762 845	
Furniture and fixtures	962 140	304 634	(255 345)	-	-	-	(324 114)	240 544	927 859	
Motor vehicles	-	25 245 313	-	-	-	-	(101 258)	-	21 852 859	
Office equipment	7 928 080	571 598	(372 750)	-	-	-	(4 104 690)	333 646	4 482 626	
Infrastructure	412 813 443	43 126 040	(6 238 036)	(66 512)	-	-	(3 440 619)	4 435 734	431 992 415	
Community	28 674 616	7 220 915	(271 555)	-	5 644 629	-	(2 063 207)	208 053	37 631 916	
Work in progress	42 185 904	50 978 943	-	-	(43 126 040)	-	3 490 852	-	53 529 659	
Emergency equipment	24 750	-	(11 798)	-	-	-	(7 964)	11 798	16 786	
Recreational Facilities	5 046 226	-	-	-	-	-	(243 340)	-	4 802 886	
	533 198 639	128 249 113	(7 476 886)	(66 512)	(43 126 040)	5 644 629	(1 987 490)	(30 612 342)	5 508 826	589 331 937

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

Pledged as security

The municipality does not have any assets pledged as security.

Change in accounting estimates

Change in estimated costs of dismantling, removing or restoring items of landfill sites

In accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the previous financial year or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

(b) *the estimated costs of dismantling, removing or restoring items of property, plant and equipment;*

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2017 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 5.6372% (2016: 6.2064%), discount rate of 8.1372% (2016: 8.4564%) and net effective discount rate of 2.5% (2016: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision

The valuation resulted to change in estimate as follows:

	2017	2016
Change in provision for landfill closure	R10 704 235	R5 644 648

Change in useful lives

The Municipality reviews the remaining useful life of every movable asset on an annual basis year. All categories remaining useful life was reviewed and the effect is shown in the table below:

	Depreciation 2017	Depreciation 2016
Emergency equipment	4 526	1 457
Furniture and fittings	68 478	122 499
Office equipment	29 594	43 497
Plant and equipment	10 545	20 462
	113 143	187 915

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	21 159 139	31 515 746	854 774	53 529 659
Additions	94 391 271	13 423 854	364 455	108 179 580
Transferred to completed items	(60 827 603)	(16 317 716)	(632 326)	(77 777 645)
	54 722 807	28 621 884	586 903	83 931 594

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	23 766 015	18 419 889	-	42 185 904
Additions/capital expenditure	37 028 312	13 095 857	854 774	50 978 943
Correction of error	3 490 852	-	-	3 490 852
Transferred to completed items	(43 126 040)	-	-	(43 126 040)
	21 159 139	31 515 746	854 774	53 529 659

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	99 291	341 666
Plant and equipment	958 141	1 201 882
Infrastructure	3 406 511	5 941 655
Motor vehicles	189 998	68 184
Community assets	3 152 336	4 398 139
Office equipment	-	177 140
	7 806 277	12 128 666

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

5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 927 266	(432 939)	1 494 327	1 642 886	(271 623)	1 371 263
Rights to use naturally occurring assets	645 663	-	645 663	645 663	-	645 663
Total	2 572 929	(432 939)	2 139 990	2 288 549	(271 623)	2 016 926

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	1 371 263	284 380	(161 316)	1 494 327
Rights to use naturally occurring assets	645 663	-	-	645 663
	2 016 926	284 380	(161 316)	2 139 990

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	1 417 939	25 000	(71 676)	1 371 263
Rights to use naturally occurring assets	645 663	-	-	645 663
	2 063 602	25 000	(71 676)	2 016 926

Pledged as security

The municipality does not have any intangible assets pledged as security.

Restricted title

There are not restrictions on the title and disposal of intangible assets. No commitments have been entered into for the acquisition, maintenance and restoration of intangible assets.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

6. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	538 950	-	538 950	538 950	-	538 950

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	538 950	538 950

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Reconciliation of heritage assets 2016		
	Opening balance	Total
Historical buildings	538 950	538 950

Restrictions on heritage assets

There are not restrictions on the title and disposal of heritage assets.

Pledged as security

The municipality does not have any heritage assets pledged as security. No commitments have been entered into for the acquisition, maintenance and restoration of heritage assets.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

7. Employee benefit obligations

Post retirement Health Care Benefits Liability

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(37 447 894)	(26 763 894)
Benefits paid	1 131 324	1 077 400
Current service cost	(2 025 000)	(1 179 000)
Net actuarial gain and losses	2 965 700	(8 127 400)
Interest cost	(3 813 000)	(2 455 000)
	(39 188 870)	(37 447 894)

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 Aids 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 ZAQ Consultants and Actuaries, a 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. An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants.

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

In-service members (employees)	222	232
Continuation	27	28

Net expense recognised in the statement of financial performance

Current service cost	2 025 000	1 179 000
Interest cost	3 813 000	2 455 000
Actuarial (gains) losses	(2 965 700)	8 127 400
	2 872 300	11 761 400

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
The liability in respect of past service has been estimated as follows:		
In-service members (employees)	27 402 000	24 096 000
Continuation members	11 786 000	13 352 000
	39 188 000	37 448 000

The municipality makes monthly contributions of health care arrangements to the following medical aid schemes:

- Keyhealth
- Bonitas
- Hosmed
- Samwumed
- LA Health

The current service cost for the year ending 30 June 2017 is estimated to be R 2 025 000 (2016 R1 179 000).

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	Yield curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield curve based	Yield curve based

The basis used to determine the overall expected rate of return on the statement of financial position assets is as follows: We used the nominal and real zero curves as at 20 June 2017 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical Aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS. Previously mortality before retirement was based on the SA 85-90 mortality tables whilst postemployment was based on PA (90) rated down one year.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

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

Opening balance	37 447 894	26 763 894
Net expense recognised in the statement of financial performance	1 740 976	10 684 000
Present value of fund obligation at the end of the year	39 188 870	37 447 894

The amounts recognised in the Statement of Financial Performance

Current service cost	2 025 000	1 179 000
Benefits paid	(1 131 324)	(1 077 400)

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Interest cost	3 813 000	2 455 000
Actuarial (gains) losses	(2 965 700)	8 127 400
	1 740 976	10 684 000

The history of experienced adjustments is as follows:

Present value of Defined Benefit Obligation	39 188 000	37 448 000
	39 188 000	37 448 000

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

Changes in the fair value of plan assets are as follows:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

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

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R2 266000 for current service cost and R4 047 000 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Interest cost	4 788 000	3 453 000
Service cost	2 819 000	1 837 000
Total	7 607 000	5 290 000

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	5 037 000	4 671 000	4 403 000	2 527 592	2 050 334
Surplus (deficit)	5 037 000	4 671 000	4 403 000	2 527 592	2 050 334

8. Sundry debtors

Cash suspense RD	1 104 563	1 471 743
VAT suspense	2 741 851	7 991 296
Other receivables	556 644	542 310
Total	4 403 058	10 005 349

9. Agreements

Agreements consist of consumer debtors payment arrangements. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

Short term agreements	161 427	651 192
Long term agreements	257 584	326 971
Total	419 011	1 216 315

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
10. Inventories		
Opening balance	145 329	134 461
Purchases	5 141 308	5 298 958
Sales	(1 592 432)	1 875 425
Distribution losses	(3 490 584)	(7 163 515)
	203 621	145 329
Inventory pledged as security		
No Inventory was pledged as security.		
11. Receivables from non-exchange transactions		
WDM fire fighting	857 156	296 767
Sundry debtors	956 646	1 090 164
	1 813 802	1 386 931
12. Receivables from non-exchange transactions		
Opening balance	31 505 316	29 126 226
Fines issued	12 756 400	3 028 800
Payments	(1 371 902)	(422 775)
Representations	(2 806 810)	(226 935)
Write offs	(31 440 516)	-
Total fines	8 642 488	31 505 316
Provision for impairment	(7 837 310)	(28 304 949)
	805 178	3 200 367
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(28 304 949)	(25 298 939)
Provision for impairment	20 467 639	(3 006 010)
	(7 837 310)	(28 304 949)
13. VAT receivable		
VAT	18 159 941	6 121 836
14. Consumer debtors		
Gross balances		
Rates	68 975 767	60 594 867
Electricity	11 308 067	9 145 664
Water	16 893 834	12 800 012
Sewerage	8 786 255	5 444 876
Refuse	4 086 671	3 470 822
Other	45 076 385	38 536 545
	155 126 979	129 992 786

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Less: Allowance for impairment		
Rates	(57 065 099)	(55 819 954)
Electricity	(6 616 250)	(4 732 889)
Water	(15 127 259)	(11 786 643)
Sewerage	(7 458 188)	(4 348 591)
Refuse	(3 444 560)	(2 848 348)
Other	(40 758 847)	(34 826 258)
	(130 470 203)	(114 362 683)
Net balance		
Rates	11 910 668	4 774 913
Electricity	4 691 817	4 412 775
Water	1 766 574	1 013 370
Sewerage	1 328 067	1 096 285
Refuse	642 111	622 474
Other	4 317 537	3 710 287
	24 656 774	15 630 104
Included in above is receivables from exchange transactions		
Electricity	4 691 817	4 412 775
Water	1 766 574	1 013 370
Sewerage	1 328 067	1 096 285
Refuse	642 111	622 474
Other	4 317 537	3 710 287
	12 746 106	10 855 191
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	11 910 668	4 774 913
Net balance	24 656 774	15 630 104
Rates		
Current (0 -30 days)	7 527 841	6 158 445
31 - 60 days	3 070 029	1 947 834
61 - 90 days	2 041 427	1 710 424
91 - 120 days	1 879 674	2 969 561
121 - 365 days	11 716 923	8 978 019
> 365 days	42 739 873	38 830 584
	68 975 767	60 594 867
Electricity		
Current (0 -30 days)	4 358 067	5 116 573
31 - 60 days	1 054 757	149 072
61 - 90 days	447 766	175 555
91 - 120 days	247 572	97 842
121 - 365 days	1 750 007	951 139
> 365 days	3 449 898	2 655 483
	11 308 067	9 145 664

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Water		
Current (0 -30 days)	1 785 787	2 110 010
31 - 60 days	919 329	490 188
61 - 90 days	775 411	407 256
91 - 120 days	562 893	420 416
121 - 365 days	2 600 240	2 161 943
> 365 days	10 324 491	7 821 385
	16 893 834	12 800 012
Other		
Current (0 -30 days)	2 663 409	4 205 857
31 - 60 days	1 326 216	702 762
61 - 90 days	1 093 436	815 072
91 - 120 days	1 040 574	879 257
121 - 365 days	5 888 727	4 505 563
> 365 days	33 064 023	27 428 034
	45 076 385	38 536 545
Sewerage		
Current (0 -30 days)	1 261 582	1 532 975
31 - 60 days	612 379	259 243
61 - 90 days	499 872	219 675
91 - 120 days	439 012	326 412
121 - 365 days	2 080 324	1 003 590
> 365 days	3 893 086	2 102 981
	8 786 255	5 444 876
Refuse		
Current (0 -30 days)	613 913	838 965
31 - 60 days	199 873	116 999
61 - 90 days	150 188	99 421
91 - 120 days	130 720	93 482
121 - 365 days	571 730	441 608
> 365 days	2 420 247	1 880 347
	4 086 671	3 470 822

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Summary of debtors by customer classification		
Government		
Current (0 -30 days)	1 038 243	1 484 090
31 - 60 days	740 040	430 880
61 - 90 days	441 439	409 394
91 - 120 days	344 268	390 762
121 - 365 days	1 728 460	2 478 457
> 365 days	5 354 656	7 528 382
	9 647 106	12 721 965
Business		
Current (0 -30 days)	6 394 127	7 324 652
31 - 60 days	1 504 807	442 772
61 - 90 days	813 084	386 914
91 - 120 days	525 237	377 243
121 - 365 days	3 101 927	2 312 863
> 365 days	16 691 692	14 045 757
	29 030 874	24 890 201
House holds		
Current (0 -30 days)	7 600 100	7 913 086
31 - 60 days	3 061 365	1 808 512
61 - 90 days	2 381 248	1 771 018
91 - 120 days	2 127 755	2 039 544
121 - 365 days	12 269 116	8 970 631
> 365 days	41 096 594	35 934 156
	68 536 178	58 436 947
Other		
Current (0 -30 days)	3 178 130	3 240 996
31 - 60 days	1 876 371	983 933
61 - 90 days	1 372 330	860 079
91 - 120 days	1 303 184	1 979 421
121 - 365 days	7 508 447	4 279 911
> 365 days	32 674 359	22 548 196
	47 912 821	33 892 536
	155 126 979	129 992 786
Reconciliation of allowance for impairment		
Balance at beginning of the year	(114 362 683)	(97 809 709)
Debt impairment written off against allowance	(16 107 520)	(16 552 974)
	(130 470 203)	(114 362 683)

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 997	3 997
Bank balances	188 133	1 120 234
Short-term deposits	1 108 911	30 257 340
	1 301 041	31 381 571

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Credit quality of cash at bank and short term deposits, excluding unspent conditional grant		
Credit rating		
Investment	1 114 038	30 261 337
Cash and cash equivalent	<u>781 391</u>	<u>3 286 930</u>
Total cash	1 895 429	33 548 267
Less: unspent conditional grant	(25 502 790)	(34 434 030)
	(23 607 361)	(885 763)

See note 29 for reconciliation of grants

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for [specify the liability]	800 000	800 000
--	---------	---------

Local Guarantees

The above guarantee is pledged to Eskom by means of the ABSA Bank Call account with the number 2066701092. The valuation amount for the current year ended 30 June 2017: R800 000 (2016: R800 000).

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

Current Account (Primary Bank Account)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Current Account - 1330000062	778 159	3 236 039	2 051 978	184 906	1 069 343	906 729
ABSA BANK - Call Account - 4078360937	3 227	50 891	1 104	3 227	50 891	1 104
Total	781 386	3 286 930	2 053 082	188 133	1 120 234	907 833

Call deposits

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Call Account - 4078462834	6 262	189 705	54 128	6 262	189 705	54 128
ABSA BANK - Account Type - Deposit - 2066701092	800 000	800 000	800 000	800 000	800 000	800 000
FNB Limited - Call Account - 6204584148	280 689	270 093	261 629	280 689	270 093	261 629
Petty cash	3 997	3 997	2 000	3 997	3 997	2 000
ABSA BANK - Call Account - 9295746149	282	23 941 662	2 147	282	23 941 662	2 147
ABSA BANK - Call Account - 9295745884	829	30 469	2 281	829	30 469	2 281
NEDBANK - Call Account - 03-7881110678	-	5 001 130	10 620 384	-	5 001 130	10 620 384
ABSA BANK - Call Account - 4073741532	4 062	3 835	3 960	4 062	3 835	3 960
ABSA BANK - Call Account - 9296620730	13 288	11 139	2 005	13 288	11 139	2 005
ABSA BANK - Call Account - 4087938456	103	1 065	-	103	1 065	-
ABSA BANK - Call Account - 4087938854	3 396	8 242	-	3 396	8 242	-
INVESTEC - Call Account - 1100537663450	-	-	-	-	-	-
Total	1 112 908	30 261 337	11 748 534	1 112 908	30 261 337	11 748 534
Total cash and cash equivalents	1 894 294	33 548 267		1 301 041	31 381 571	

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
16. Finance lease obligation		
Minimum lease payments due		
- within one year	13 133 665	13 861 737
- in second to fifth year inclusive	8 099 402	21 233 067
- later than five years	-	-
	21 233 067	35 094 804
less: future finance charges	(2 702 962)	(6 561 593)
Present value of minimum lease payments	18 530 105	28 533 211
Non-current liabilities	7 669 361	18 530 105
Current liabilities	10 860 744	10 003 106
	18 530 105	28 533 211

Bela-Bela Local Municipality has leased computer equipment from BIG Time Strategic sourcing. The monthly lease payment is R372 446 with a 10% annual increment. The lease agreement is for the period of 36 month from 01 November 2013 to 31 October 2016. Ownership has passed to the Municipality after the expiry of lease contract.

Bela-Bela has leased motor vehicle from Bertobite Pty (Itd) and Telephone System equipment's from Intuate for a period of 36 months. The Monthly lease payment for motor vehicles is R with 9 % annual increment. The monthly lease payment for Telephone system is R15 602.34 with no yearly escalation. Bertobrite Pty (Itd) lease agreement is effective from 01 February 2016 to 31 January 2019. The Intuate lease agreement is effective from t 1 November 2015 to 31 October 2019.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	(33)	(33)
Municipal System Infrastructure Grant (MSIG)	268	268
Department of Water andForestry Grant (DWAF)	105	105
Municipal Infrastructure Grant (MIG)	13 509 788	34 434 029
Disaster Management Grant	(234)	(234)
Intergration National Electrification Programme	11 993 002	-
Expanded Public Works Programme (EPWP)	(106)	(106)
	25 502 790	34 434 029

Movement during the year

Balance at the beginning of the year	34 434 029	-
Additions during the year	166 966 649	138 686 420
Income recognition during the year	(175 897 888)	(104 252 391)
	25 502 790	34 434 029

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

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill site	25 796 438	12 885 734	-	38 682 172
Performance bonus	451 690	-	(82 793)	368 897
Long service award provision	4 671 002	366 000	-	5 037 002
	30 919 130	13 251 734	(82 793)	44 088 071

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Rehabilitation of landfill site	18 943 072	6 853 366	25 796 438
Performance bonus	318 805	132 885	451 690
Long service award provision	4 403 002	268 000	4 671 002
	23 664 879	7 254 251	30 919 130
Non-current liabilities		38 682 172	25 796 438
Current liabilities		5 405 899	5 122 692
		44 088 071	30 919 130

Rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2017 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 5.6372% (2016: 6.2064%), discount rate of 8.1372% (2016: 8.4564%) and net effective discount rate of 2.5% (2016: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision.

Provision for rehabilitation of landfill sites:

Carrying value		
Balance at the beginning of the year	25 796 438	18 943 072
Changes in provision for landfill closure	10 704 235	5 644 648
Interest charge	2 181 499	1 208 718
Total Recognised Liability	38 682 172	25 796 438

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to 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 Hildegard Wilson, a 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.

For the year ended 30 June 2017, 350 (2016: 370) employees were eligible for long service awards. The current service cost for the year ending 30 June 2017 is estimated to be R 533 000 (2016: R 502 000).

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Discount rate used	Yield curve	Yield curve
--------------------	-------------	-------------

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Salary increase rate	Equal to CPI+1%	Equal to CPI+1%
Net effective discount rate	Yield curve based	Yield curve based

Movement in the present value of the defined benefit obligation were as follows:

Carrying value		
Balance at the beginning of the year	4 671 000	4 403 000
Current service cost	534 000	502 000
Interest cost	464 000	408 000
Benefits paid	(828 776)	(57 781)
Actuarial (gain) / losses	196 776	(584 219)
Total recognised benefit liability	5 037 000	4 671 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	534 000	502 000
Interest cost	464 000	408 000
Actuarial (gains) losses	196 776	(584 219)
Total post retirement benefit included in employee related costs	1 194 776	325 781

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R533 0000 for current service cost and R525 000 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost	583 000	488 000
Effect on defined benefit obligation	568 000	486 000
	1 151 000	974 000

Amounts for the current and previous year are as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	5 037 000	4 671 000	4 403 000	2 527 592	2 050 334
Plan assets	-	-	-	-	-
Surplus (deficit)	4 671 000	4 671 000	4 403 000	2 527 592	2 050 334

Performance bonus

Chapter 3 of government gazette no 290289, of 01 august 2006, government: municipal performance regulations for municipal managers and managers directly accountable to municipal managers stipulate that, performance bonus ranging between 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance.

Management has made provision for performance bonus based at 10% of annual remuneration of section 56 managers.

19. Unknown deposits

Unknown deposits	4 914 432	9 906 250
------------------	-----------	-----------

Deposits receipts into municipal accounts without proper reference to be able to allocate it to correct debtor accounts or relevant accounts.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
20. Payables from exchange transactions		
Trade payables	66 205 422	72 509 448
Payments received in advanced	17 569 512	17 294 409
Year end accruals	456 149	3 032 717
Accrued leave pay	8 093 854	7 506 395
13th cheque	2 065 282	2 038 069
Accrued payroll expenses	2 802 168	2 690 669
Retention creditors	9 632 997	6 183 545
Deposits on sale of land	417 567	435 167
	107 242 951	111 690 419
21. Consumer deposits		
Deposit received	5 450 124	5 350 810
22. Revenue		
Service charges	147 043 336	141 587 947
Rental of facilities and equipment	1 099 298	1 106 503
Licences and permits	3 256 242	3 201 147
Administration and management fees received	396 756	316 257
Commissions received	61 098	63 061
Demand charges	210 524	410 926
Traffic fines	7 612 504	1 875 710
Town planning scheme	514 515	435 200
Interest received	10 479 479	6 235 144
Property rates	62 467 982	46 336 732
Donations	-	7 270 367
Government grants & subsidies	175 928 195	104 252 391
Traffic fines	12 756 400	3 028 800
	421 826 329	316 120 185
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	147 043 336	141 587 947
Rental of facilities and equipment	1 099 298	1 106 503
Licences and permits	3 256 242	3 201 147
Administration and management fees received	396 756	316 257
Commissions received	61 098	63 061
Demand charges	210 524	410 926
Traffic fines	7 612 504	1 875 710
Town planning scheme	514 515	435 200
Interest received	10 479 479	6 235 144
	170 673 752	155 231 895
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	62 467 982	46 336 732
Donations	-	7 270 367
Transfer revenue		
Government grants & subsidies	175 928 195	104 252 391
Traffic fines	12 756 400	3 028 800
	251 152 577	160 888 290

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
23. Property rates		
Rates received		
Property rates	62 467 982	46 336 732

Valuations

Valuations of properties are performed every 5 years as required by Municipal Property Rates Acts as amended. The last general valuation came into effect on 1 June 2016. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions, consolidations and other alterations as stipulated in the Municipal Property Rates Act.

The rate randages are as follows:

Farms agricultural is R0.0066
 Farms Agricultural (Bona Fide) R0.0026
 Residential properties R0.0106
 Government properties R0.0133
 Business / Industrial R0.0133 and
 Vacant land R0.0140

The summary of the valuation roll are as follows:

CATEGORY		MARKET VALUE
1 : RESIDENTIAL	R	3 667 770 000.00
2 : BUSINESS & COMMERCIAL	R	738 219 000.00
3 : INDUSTRIAL	R	15 400 000.00
4 : ACCOMMODATION ESTABLISHMENT	R	62 051 000.00
5 : PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	R	54 217 000.00
6 : FARMS RESIDENTIAL	R	631 632 000.00
7 : FARMS AGRICULTURAL	R	3 818 881 000.00
8 : FARMS BUSINESS & COMMERCIAL	R	586 359 000.00
9 : FARMS VACANT LAND	R	528 796 000.00
10 : FARMS OTHER	R	45 635 000.00
11 : SMALLHOLDING RESIDENTIAL	R	123 903 000.00
12 : SMALLHOLDING AGRICULTURAL	R	18 803 000.00
13 : SMALLHOLDING BUSINESS & COMMERCIAL	R	39 994 000.00
14 : SMALLHOLDING VACANT LAND	R	167 484 000.00
15 : SMALLHOLDING OTHER	R	393 000.00
17 : PSI	R	8 433 000.00
18 : PRIVATE OPEN SPACE	R	15 959 000.00
19 : VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND	R	8 616 000.00
20 : VACANT RESIDENTIAL LAND	R	776 268 000.00
21 : MUNICIPAL PROPERTY	R	21 078 000.00
Total : R		11 329 891 000.00

24. Service charges

Sale of electricity	102 848 230	103 326 621
Sale of water	23 259 071	22 624 734
Solid waste	6 073 808	6 171 908
Sewerage and sanitation charges	14 862 227	9 464 684
	147 043 336	141 587 947

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
25. Government grants and subsidies		
Operating grants		
Equitable share	68 411 000	63 428 000
Finance Management Grant	1 625 000	1 600 000
Municipal System Improvement Grant	-	930 000
SETA	307 956	164 293
Extended Public Works Program	1 082 000	1 083 000
Municipal Water Infrastructure Grant	30 000 000	10 000 000
Intergration National Electrification Programme	16 006 998	2 000 000
	117 432 954	79 205 293
Capital grants		
Municipal Infrastructure Grant	58 495 241	25 047 098
	58 495 241	25 047 098
	175 928 195	104 252 391

Equitable Share

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

Finance Management Grant

Balance unspent at beginning of year	(33)	(33)
Current-year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 600 000)
	(33)	(33)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:

- Appointment of an appropriately skilled municipal manager and CFO
- Appointment of at least two interns for purposes of building future financial management capacity
- Council resolution committing council to reforms
- Submission of primary bank account details
- Development of an action plan for implementation
- Monthly reporting on performance

Municipal System Infrastructure Grant

Balance unspent at beginning of year	268	268
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	268	268

Municipal Systems Improvement Grant (MSIG) deals with transfers to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems

Department of Water and Forestry Grant

Balance unspent at beginning of year	105	105
--------------------------------------	-----	-----

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment, through effective policies, integrated planning, strategies, knowledge base and procedures.

Municipal Infrastructure Grant

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Balance unspent at beginning of year	34 434 029	-
Current-year receipts	37 571 000	61 989 000
Conditions met - transferred to revenue	(58 495 241)	(27 554 971)
	13 509 788	34 434 029

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

- Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.
- Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.
- Equity in the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.

SETA Grant

Current-year receipts	307 956	164 293
Conditions met - transferred to revenue	(307 956)	(164 293)
	-	-

The grant is utilise for training of officials in the municipality.

Disaster Management Grant

Balance unspent at beginning of year	(234)	(234)
--------------------------------------	-------	-------

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

The grant is utilised to fund relief operations after disasters within the jurisdiction of the municipality. The municipality were declared a disaster in March 2014. All condition relating to the grant were met during the 2014 financial year and the balance is carried forward from previous year. The amount which is considered immaterial will be taken to council during the 2018 financial year to be written off after following relevant process.

Expanded Public Works Program

Balance unspent at beginning of year	(106)	(106)
Current-year receipts	1 082 000	1 083 000
Conditions met - transferred to revenue	(1 082 000)	(1 083 000)
	(106)	(106)

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	30 000 000	10 000 000
Conditions met - transferred to revenue	(30 000 000)	(10 000 000)
	-	-

The purpose of this grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Integrated National Electrification Programme

Current-year receipts	28 000 000	2 000 000
-----------------------	------------	-----------

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Conditions met - transferred to revenue	(16 006 998)	(2 000 000)
	11 993 002	-

The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure.

26. Donations

Current year receipts	-	7 270 367
-----------------------	---	-----------

Provide explanations of conditions still to be met and other relevant information

27. Other income

Insurance claims	118 131	255 695
Surplus cash	6 207 551	2 085
Engineering levy	-	19 137
Fire brigade levies	675	617
Meter testing	2 778	3 421
New connections	28 532	42 577
Penalties - tamper meters	16 332	157 306
Advertising	3 630	63 292
Re-connections	163 743	292 031
Received from District Council	560 390	562 648
Refuse bins	50 351	36 034
Street trading	1 013	1 863
Miscellaneous income	40 366	155 518
Procurement income	419 012	283 486
	7 612 504	1 875 710

28. Fines

Traffic fines	12 756 400	3 028 800
---------------	------------	-----------

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
29. General expenses		
Advertising	460 867	523 806
Auditors remuneration	2 716 970	2 553 040
Bank charges	989 484	810 499
Cleaning	203 201	237 336
Commission paid	4 282 411	-
Consulting and professional fees	3 485 250	19 539 197
Debt collection	1 919 663	2 839 309
Donations	-	14 719 766
Entertainment	2 969	2 763
Internal audit	395 663	1 140 847
Mayoral bursary	720	-
Insurance excess payments	-	17 101
IT expenses	3 326 458	(85 354)
Lease rentals on operating lease	11 770 946	21 635 188
Fuel and oil	3 681 630	2 980 643
Recruitment costs	57 529	6 200
Postage and courier	524 389	4 799
Printing and stationery	801 362	674 797
Town planning cost	10 750	-
Research and development costs	103 155	342 502
Staff welfare	-	97 124
Subscriptions and membership fees	-	1 280 400
Telephone and fax	797 137	897 292
Extinguish material	3 296	-
Uniforms	688 010	1 013 301
Community outreach program	1 360 876	1 547 824
Equitable share levy	1 969 728	2 462 910
Valuation costs	752 318	1 453 064
Risk and asset management	3 094 970	37 625
Contractor services	7 275 899	10 180 967
Delegation costs	1 797 094	1 169 975
Capacity building	637 040	1 043 225
Chemicals	690 820	758 712
	53 800 605	89 884 858

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
30. Employee related costs		
Basic	63 748 309	61 377 667
Bonus	4 729 692	4 731 381
Medical aid	5 302 101	4 875 705
UIF	1 052 015	554 563
SDL	1 316 159	795 211
Leave pay	1 443 238	1 947 385
Current service costs	2 559 000	1 681 000
Post-employment benefits - pension	12 387 982	12 009 623
Overtime payments	6 668 003	5 977 456
Acting allowances	1 552 261	833 379
Transport allowance	6 645 724	6 979 906
Housing allowance	342 062	298 900
Performance bonus	396 774	321 808
Non Pension	507 157	477 665
Long service awards	-	25 806
Unions contributions	-	(23 237)
Cellphone allowance	1 338 525	827 420
	109 989 002	103 691 638

Remuneration of municipal manager

Annual Remuneration	941 777	869 723
Car Allowance	385 916	357 330
Contributions to UIF, Medical and Pension Funds	220 429	210 636
Cellphone allowance	27 156	295 374
Other allowances	229 127	140 812
	1 804 406	1 873 875

The Municipal Manager was appointed on 01 January 2015.

Remuneration of chief finance officer

Annual Remuneration	139 680	698 400
Car Allowance	49 368	246 840
Contributions to UIF, Medical and Pension Funds	6 969	32 757
Cellphone allowance	3 400	17 000
Other allowances	352 510	1 150
	551 927	996 147

The Chief Financial Officer resigned on 31 August 2016.

Remuneration corporate services manager

Acting allowance	231 385	142 564
	231 385	142 564

The Manager Corporate Services was vacant during the current year.

Remuneration of social and community services manager

Acting allowance	170 339	182 744
	170 339	182 744

The Manager of social and community services was vacant during the current year.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Remuneration of planning and economic development manager		
Annual Remuneration	638 097	575 740
Car Allowance	270 770	241 619
Contributions to UIF, Medical and Pension Funds	183 101	169 632
Cellphone allowance	18 000	18 000
Other allowances	148 635	158 494
	1 258 603	1 163 485

The Manager Planning and Economic Development was employed from 01 September 2014.

Remuneration of technical services manager

Annual Remuneration	597 849	589 320
Car Allowance	254 920	232 980
Contributions to UIF, Medical and Pension Funds	181 255	175 876
Cellphone allowance	18 000	18 000
Other allowance	148 074	2 646
	1 200 099	1 018 822

The Manager Technical Services was appointed 01 July 2015

31. Remuneration of councillors

Mayor	828 681	778 852
Chief Whip	583 293	673 120
Executive Committee Members	2 333 495	2 135 306
Speaker	542 293	691 881
Councillors	2 330 337	2 046 723
	6 618 099	6 325 882

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of councillors - 2017

	Position	Annual salary	Travelling allowance	Medical Backpay	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data	Total
Ngobeni MJ	Mayor - FT	461 934	185 872	38 920	321	69 290	22 800	3 600	782 737
Moeletsi RZ	Speaker - FT	428 076	-	31 330	297	58 390	20 900	3 300	542 293
Ledwaba MH	Chief Whip - FT	393 598	94 752	-	260	59 040	22 800	3 600	583 293
Maluleka SE	EC Member - FT	352 851	144 415	38 423	424	52 928	22 800	3 600	621 604
VD Merwe JF	EC Member - PT	273 192	-	-	112	40 979	22 800	3 600	340 683
Shika MA	EC Member - PT	179 660	56 201	12 661	7 138	26 949	20 900	3 300	313 867
Modimola LR	EC Member - PT	248 013	11 050	-	7 176	37 202	22 800	3 600	331 875
Hlungwane FS	EC Member - PT	177 573	75 163	26 442	7 195	26 636	22 800	3 600	354 004
Aphane PM	EC Member - PT	170 518	73 361	30 193	7 195	25 578	22 800	3 600	371 462
Mosoeu AR	Councillor - PT	149 558	43 790	-	5 628	22 434	20 900	3 300	249 110
Seale SD	Councillor - PT	145 418	43 790	-	5 628	21 813	20 900	3 300	244 349
Malete YMS	Councillor - PT	137 601	40 433	26 918	8 146	20 640	20 900	3 300	263 566
Masemola TR	Councillor - PT	178 483	-	10 021	3 500	26 772	20 900	3 300	248 604
Mothokwa KF	Councillor - PT	182 829	-	5 586	3 792	27 424	20 900	3 300	249 460
Makhubela MJ	Councillor - PT	183 503	-	-	3 500	27 526	20 900	3 300	244 357
Ras MN	Councillor - PT	201 994	-	-	5 443	30 299	22 800	3 300	263 836
Senosha MD	Councillor - PT	151 489	58 070	-	5 591	22 723	22 800	3 600	272 894
Sesane MJ	Councillor - PT	29 458	-	-	321	4 419	3 478	600	38 276
Malete GT	Councillor - PT	22 954	-	-	335	3 443	3 478	600	30 810
Monanyane M	Councillor - PT	24 146	6 109	-	354	3 622	3 478	600	38 309
Nhlapo ML	Councillor - PT	53 759	21 098	6 946	335	8 064	3 478	600	94 280
Radebe RM	Councillor - PT	37 678	15 824	11 612	424	5 652	3 478	600	75 268
Mahlangu PM	Councillor - PT	17 215	6 359	-	321	2 582	3 478	600	30 555
Mokgethoa WKR	Councillor - PT	18 575	6 813	-	354	2 786	3 478	600	32 606
		4 220 164	883 100	239 052	77 364	111 871	627 191	396 746	6 618 098

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

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of councillors - 2016

	Position	Annual salary	Travelling allowance	Medical	Back pay	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data	Total
Nhlapo ML	Mayor- FT	438 635	183 743	42 878	23 052	281	65 795	20 868	3 600	778 582
Maluleka SE	Speaker- FT	350 190	146 995	38 202	18 442	60 653	52 581	20 868	3 600	691 531
Radebe RM	Chief Whip-FT	309 448	137 809	65 535	17 289	71 751	46 470	20 868	3 600	640 321
VD Merwe JF	EC Member-PT	264 167	-	-	10 377	-	39 625	20 868	3 600	338 637
Ngobeni MJ	EC Member-PT	329 177	137 806	34 759	17 289	4 425	49 480	20 868	3 600	597 404
Mokonyane TE	EC Member-PT	184 916	70 886	-	9 682	-	27 737	20 868	3 600	317 689
Mokgethoa WKR	EC Member-PT	167 323	64 141	-	9 682	-	25 098	20 868	3 600	290 712
Malete GT	EC Member-PT	223 010	-	-	9 682	-	33 465	20 868	3 600	290 714
Mahlangu PM	EC Member-PT	167 323	64 141	-	9 682	8 748	25 098	20 868	3 600	299 461
Aphane PM	Councillor-PT	125 787	55 234	26 992	7 544	-	18 868	20 868	3 600	258 893
Ras MN	Councillor-PT	192 118	-	-	7 544	-	28 818	20 868	3 600	252 948
Hlungwane FS	Councillor-PT	139 014	61 979	26 305	7 544	15 175	20 852	20 868	3 600	295 337
Ledwaba MH	Councillor-PT	215 573	-	-	7 544	2 356	32 336	20 868	3 600	282 277
Senosha MD	Councillor-PT	144 087	55 237	-	7 544	601	21 613	20 868	3 600	253 550
Alberts KB	Councillor-PT	119 253	45 714	-	7 544	-	17 888	17 390	3 000	210 789
Mpete LR	Councillor-PT	144 016	49 216	-	7 544	-	21 602	20 868	3 600	246 846
Sesane MJ	Councillor-PT	215 573	-	-	7 544	-	32 336	20 868	3 600	279 921
		3 729 699	1 072 901	234 671	185 529	163 990	559 662	351 278	60 600	6 325 882

In-kind benefits

The mayor, speaker and chief whip are full-time. Each is expected to be provided with an office and secretarial support at the cost of the Council.

The remuneration of Councillors and political office-bearers are within the upper limits

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
32. Debt impairment		
Debt impairment - traffic fines	13 779 686	5 146 338
Debt impairment - consumer debtors	18 529 778	24 030 137
	32 309 464	29 176 475
33. Interest received		
Interest revenue		
Interest received - investment	2 583 439	940 360
Interest charged on trade and other receivables	7 896 040	5 294 784
	10 479 479	6 235 144
34. Fair value adjustments		
Investment property (Fair value model)	12 278 941	13 203 875
35. Depreciation and amortisation		
Property, plant and equipment	49 098 308	30 808 519
36. Impairment of assets		
Impairments		
Property, plant and equipment	237 576	66 513
37. Actuarial Gain / (Loss)		
Actuarial gain / (loss) - post employment medical aid	(196 776)	642 000
Actuarial gain / (loss) - long service award	2 965 700	(8 127 400)
	2 768 924	(7 485 400)
38. Finance costs		
Finance leases	3 858 631	2 424 098
Interest on landfill site	2 181 499	1 208 718
Employee benefit obligation	4 277 000	2 863 000
	10 317 130	6 495 816
39. Auditors' remuneration		
Fees	2 716 970	2 553 040
40. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1 099 298	1 106 503
41. Bulk purchases		
Electricity	81 275 592	73 616 039
Water	5 141 308	5 298 958
	86 416 900	78 914 997

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
42. Cash generated from operations		
Surplus (deficit)	76 766 561	(37 622 761)
Adjustments for:		
Depreciation and amortisation	49 098 308	30 808 518
Loss on disposal of assets	3 514 272	1 968 058
Actuarial gains / losses	(2 768 924)	7 485 400
Fair value adjustments	(12 278 941)	(13 203 875)
Non cash - donation received	-	(7 270 367)
Landfill interest	2 181 499	1 208 718
Non cash - asset journal	1 945 464	14 993 379
Provision for leave and bonus	726 171	1 729 344
Impairment loss	237 576	66 513
Debt impairment	32 309 464	29 176 475
Finance cost - employee cost	4 277 000	2 863 000
Provision - landfill movement	283 207	400 904
Provision - employee benefits	232 900	335 600
Changes in working capital:		
Inventories	(58 292)	(10 868)
Receivables from non-exchange transactions	(18 520 253)	2 704 365
Consumer receivables	(20 420 692)	(20 786 110)
Receivables from exchange transactions	(426 871)	2 040 641
Agreements	559 152	1 115 842
Payables from exchange transactions	(5 173 639)	35 689 784
VAT	(12 038 105)	(490 794)
Unspent conditional grants and receipts	(8 931 239)	34 434 029
Sundry debtors	5 602 292	(6 837 775)
Consumer deposits	99 314	(122 603)
Unknown deposits	(4 991 812)	2 321 625
	92 224 412	82 997 042

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

	2017	2016
--	------	------

43. Commitments

Capital commitments

Already contracted for but not provided for

• Property, plant and equipment	22 299 993	27 808 564
---------------------------------	------------	------------

Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	306 602 582	263 317 105
---------------------------------	-------------	-------------

Operational commitments

• Property, plant and equipment	9 699 277	112 607 704
---------------------------------	-----------	-------------

This committed expenditure relates to property plant and equipment as required by GRAP 19 and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Municipality entered into contracts ranging between 24 to 36 months with various service provider for different needs. These contract have met condition required as per GRAP 19 for disclosure as commitment expenditure.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	9 883 406	1 059 441
- in second to fifth year inclusive	6 237 319	204 650
	16 120 725	1 264 091

Operating lease payments represent rental payable by the municipality to the following service providers:

Nashua - we leases printers from Nashua for a period of 36 months, effective from 24 July 2014. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Fedility - we have a lease with Fedility Cash Solution for a period of 3 years, effective from 1 August 2014. The lease payment is R10074.51 (vat exl)per month with an annual escalation of 7.5%. The lease agreement is not renewable at the end of the lease term. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Bertobrite Fleet Management - we lease vehicles from Bertobrite Fleet Management for a period of 36 months, effective from 01 February 2016. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	564 592	1 243 182
- in second to fifth year inclusive	385 663	274 284
- later than five years	79 960	260 353
	1 030 215	1 777 819

The municipality owns properties that are leased out to the employees for the period not exceeding 12 months. The Municipality leases land to various entities for the purposes of farming and network equipment transmission. Lease periods range from five to ten years.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

44. Contingencies

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value.

1. Charles Dennis Duggan & 3. The applicants requesting an order that the municipality relocate the occupiers of erf 1491 & 1492 to suitable and alternative land. The municipality may be subjected to a claim of R450 000. The municipality had filed opposing papers on the 17 February 2016 and are awaiting responses from all cited parties.
2. Dikala Plant Hire. This claim is regarding the dispute of the termination of the service level agreement and the validity of joint venture agreement between Dikala and BBT. The matter was heard on the 24 October 2016. We confirm that on 9 November 2016 Judgment was delivered in favour of Dikala Plant Hire CC and against the Municipality and BBT. We record that our views, together with those of our legal team is that the judge erred in his findings as we felt that he did not fully understand the matter. As a result, the Municipality instructed its legal team to appeal the judgment. Currently, leave to appeal has been granted the appeal will be heard on 19 March 2019. The municipality may be subjected to a claim of R17 525 661.75
3. Elaine Wildey. It is alleged that damage occurred to Ms. Wildey's vehicle whilst on the R101 road due to a pot hole on the road. The value of the claim is R24 289.48. We have entered a notice of intention to defend the matter and later filed our plea. The plaintiff's attorneys did not take the matter any further. Our attorneys have kept the file in abeyance pending further action by the Plaintiff's attorneys. The Plaintiffs were made aware that the Municipality is not responsible for the maintenance of the R101 road.
4. Fawcett Security Services. On 27 January 2016 Fawcett security made an urgent application in the high court after the municipality terminated their contract. The said application was dismissed with cost by the high court. The Sheriff served combined summons at records on the 27 January 2016 which does not constitute proper service and subsequent to that Fawcett Security obtained default judgment against the Municipality as the summons were not attended to. The Municipality has launched an application to set aside the default judgment which was granted on 7 August 2017. The Municipality will proceed to defend the summons currently. Settlement of the litigation is estimated to be R7 472 502.
5. Isabella Frederika Van Emmenis. The Plaintiff issued summons in the local district court suing the Municipality together with Mr Petrus Baloyi, an employee of council, payment in the amount of R66 793.75 for the collision that happened on the 18 August 2015 at the intersection of potgieter and Pretoria roads. Mr Baloyi is alleged to have been the driver driving a caterpillar at the time of the collision. We have entered notice of intention to defend and the filed a plea. Our attorneys have attended a pre-trial conference and we now await a trial date.
6. Belalogix CC t/a Brand It. Application to interdict Bela Bela Branding initiative CC from operating outdoor advertising on behalf of the Municipality illegally. The Application is set down to be heard on the 15 August 2017. The municipality gave consent to Brand It to do outdoor advertising on its behalf in February, however the Bela Bela Branding Initiative who's contract expired a long time ago is still operating illegally in as far as outdoor advertising is concerned in the town. The value of the claim is estimated at R230 000.
7. Ngobi Cyferskuil Taxi Association. The Applicant obtained a rule nisi in the Regional Court Modimolle against Warmbaths Taxi Association on 24 March 2017 and cited the Municipality as the Second Respondent. There is no specific order sought against the Municipality however the rule nisi (interim order) is against the Municipal Land Use Scheme. In terms of the Land Use Scheme the Erf is zoned for business and the land use is as per zoning certificate and a taxi rank is not permitted to operate on the premises as directed by the court. Matter Struck Off Roll on 21 July 2017 on a technicality and may be re-instituted by the Applicants. The value of the claim is estimated at R130 000.

45. Related parties

Relationships

Accounting Officer

Members of key management and councillors

Refer to accounting officer's report note

Refer to note 30 & 31

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

46. Prior period errors

1. During the 2016/17 financial year we've identified that:

- 1.1 Infrastructure assets incorrectly capitalised in the 2016 financial year were derecognised in the 2016 financial period and capitalised during the current financial period. These assets met the condition of capitalised in the current financial year.;
- 1.2 Land and buildings in PPE used as a taxi rank are not under the control of the municipality. These have been derecognised in order to correct the 2017 opening balance and
- 1.3 Investment property - Erf 1402 has been subdivided and the remaining extent of the township / erf no longer exists. This subdivision was registered in a prior financial year and the derecognition of the remainder has been backdated accordingly to correct the 2017 opening balance.
- 1.4 Plant and machinery - The asset register included assets with credit balances, as a result of incorrect derecognition of accumulated depreciation in prior period.
- 1.5 Sundry debtor was raised for assets delivered in the current year, however payment happen in the prior year.
- 1.6 Interest received - Accrued income was never raised for interest received during the 2015/16 financial year, therefore a debtor was raised to accrued for the interest.
- 1.7 Asset register has been align to be MSCOA compliant, therefore the asset register had some re-alignment.
- 1.8 During the year we identified that there were assets included in the register at zero book value are assets that have no financial information i.e. historical cost and purchase date of asset is not available. These assets have been carried in the register at zero book value over a number of financial periods .The useful lives of these assets has been assessed to determine the new useful lives and also to determine the deemed cost of assets held in register whose historical cost and purchase date is not available and have been in the register at zero book value
- 1.9 During the year we identified that we did not accrued Eskom as at 30 June 2016, therefore we correct the error and raised the accrual as at 30 June 2016

The correction of the error(s) results in adjustments as follows:

Statement of financial position	Audited AFS 30 June 2016	Restated AFS 30 June 2016	Restatements
Property, plant and equipment	591 194 946	589 331 937	(1 863 009)
Investment properties	343 300 758	343 027 146	(273 612)
Sundry debtor	9 702 111	10 005 349	303 238
Payables from exchange transactions	105 981 035	111 690 419	(5 709 384)
Opening Accumulated Surplus or Deficit	753 025 632	745 482 866	(7 542 767)

47. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality credit profile and diversified funding sources to ensure that sufficient liquid funds are maintained to meet its daily cash requirements . The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

Credit risk

This creditworthiness can mainly be ascribed to three things,

- (i) adequate revenue that supports borrowing
- (ii) reliable financial information, which is necessary for public disclosure, and
- (iii) proper credit ratings.

All three these elements are important to ensure municipal creditworthiness. The municipality faces enormous constraints on all three these elements.

The municipality does not have adequate revenue to support borrowing, mainly due to debt outstanding and the collection is hampered by the poverty levels which increase the indigent book of the municipality. Incentives were implemented to enter into agreement with debtors with intention to write –off 50% of debts owed if 50% is paid within agreed time.

The reliability of financial information is determined by factors such Auditor General's opinion of financial statements which will turn effect credit ratings of municipality

Council took a resolution to pay-off its loan term loan with INCA within next twelve months and the loan is converted into short-term as result of the decision taken. As a result of restructuring the outstanding amount as at 30 June 2015 is R3 278 875 and it was settled at 30 September 2015.

Interest rate risk

The municipality's interest rate risk arises from investments at variable rates which exposes the municipality to cash flow interest rate risk. Investment at fixed rates exposes the municipality to fair value interest rate risk. The municipal policy is to not invest with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are call deposits.

Refer to note 15 that indicates the breakdown of all the investments.

48. Unauthorised expenditure

Opening balance	-	30 875 995
Less: Irrecoverable - last year	-	(30 875 995)
Current year	40 046 173	-
	40 046 173	-

Unauthorised expenditure was as result of under budgeting of non-cash item relating to depreciation and debt impairment.

The municipality took an exercise to fully comply with GRAP 17 (Property, plant and Equipment). This exercise has led to an increase in depreciation, although these expenditures are considered non-cash items as there is no transaction with any service provider and supplier. This was as result of unexpected events that gave rise to the asset after the adoption of the budget.

There were also other condition relating to indigent write off which was unexpected and also led to increase in debt impairment over the original budget.

49. Fruitless and wasteful expenditure

Opening balance	1 475 961	618 070
Fruitless and wasteful expenditure current year	2 222 498	857 891
Less: Amounts condoned	(1 475 961)	-
	2 222 498	1 475 961

The current year fruitless and wasteful expenditure amounting to R2 222 498 relates to interest charge on late payment of invoices from Eskom (R1 907 094), Auditor General (R48 849), Sars (R14 991), Magalies (R59 052) and fruitless amounting to R192 512 relating to fraud committed by one of the Municipal employee.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

50. Irregular expenditure

Opening balance	682 816	52 704 069
Add: Irregular Expenditure - current year	1 540 191	1 986 263
Less: Amounts write off	(1 129 262)	(54 007 516)
	1 093 745	682 816

Included in the current year irregular expenditure is the amount of R446 446 relating to contract awarded to services provider without following proper process during the 2016 financial period. The amount of irregular spent during the 2017 financial period was submitted for investigation and subsequent to that, written off by council as required by section 32 of MFMA

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 172 291	951 743
Amount paid - current year	-	(951 743)
	1 172 291	-

Material losses through criminal conduct

Opening balance	858 454	858 454
Current year	12 675	-
	871 129	858 454

The current year reported losses arises as result of unusual debit orders on the primary bank account which have not been authorised by the Municipality. The matter had been reported to internal audit department for further investigation.

Audit fees

Opening balance	342 571	59 252
Current year subscription / fee	4 896 605	2 836 359
Amount paid - current year	(2 716 970)	(2 553 040)
	2 522 206	342 571

PAYE and UIF

Opening balance	1 136 690	963 684
Current year subscription / fee	14 436 155	13 295 717
Amount paid - current year	(14 348 471)	(13 122 711)
	1 224 374	1 136 690

Pension and medical aid deductions

Opening balance	2 273 094	2 011 044
Current year subscription / fee	9 198 148	8 699 250
Amount paid - current year	(10 696 072)	(8 437 200)
	775 170	2 273 094

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

VAT

VAT receivable	18 159 941	6 121 836
----------------	------------	-----------

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

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

Councillors' arrear consumer accounts

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

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MH Ledwaba	3 669	3 043	6 712
YMS Malete	2 505	183	2 688
RZ Moeletsi	916	-	916
REMM Mseze	3 191	2 551	5 742
NJ Senosha	1 782	1 578	3 360
JERL Seale	1 613	-	1 613
TR Masemola	1 129	-	1 129
LR Mpete	626	-	626
SS Steward	304	3 685	3 989
FS Hlungwane	546	-	546
SE Maluleka	2 754	810	3 564
MJ Ngobeni	397	-	397
MJ Makhubela	451	-	451
HP Mothokwa	324	-	324
JFMP Van Der Merwe	4 807	-	4 807
	25 014	11 850	36 864

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	318	-	318
SE Maluleka	818	-	818
MJ Ngobeni	248	-	248
ML Nhlapo	2 337	-	2 337
JFMP Van Der Merwe	4 855	-	4 855
MJ Sesane	386	-	386
FS Hlungwane	276	-	276
MH Ledwaba	3 749	-	3 749
	12 987	-	12 987

During the year all Councillors were informed about the amount owing and were informed that they are in contravention of Scheme B of the Municipal Systems Act.

Process through issuing of letters of demand to outgoing councillors and entering into debt agreement with the current officer bearers were instituted by the Municipality to collect outstanding Councillors debts.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

52. Deviation from supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances: •

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

	2017	2016
Deviation from SCM regulation	R447 748	R3 042 221

The current year deviation relate to contract awarded to service provider during 2013/14 financial period. The deviation process was properly obtained in accordance to the Supply Chain Regulation, however, there was amount owing which relate to the same award made during 2014 which the settlement was only done during the 2017 financial period.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

53. Distribution Losses

Distribution losses incurred by the Municipality were as follows:

2017

Description	Water	Electricity	Total
Purchases	2 594 260	93 345 528	95 939 788
Sales	1 915 158	79 310 109	81 183 117
Losses (Kl or Kwh)	679 102	14 035 419	14 756 671
Amount losses (R)	3 490 584	18 842 549	22 549 784
Percentage losses	26.18%	15.04%	42.84%
Avoidable losses			
Units (Kl or Kwh)	464 486	701 771	1 166 257
Amounts (R)	2 387 458	942 127	3 329 585
Percentage	17.90%	5.04%	22.94%
Technical losses			
Units (Kl or Kwh)	256 766	13 333 648	13 590 414
Amounts (R)	1 319 777	17 900 422	19 220 199
Percentage	10%	10%	20%

2016

Description	Water	Electricity	Total
Purchases	2 432 643	93 748 617	96 181 260
Sales	1 819 853	77 667 529	79 487 382
Losses (Kl or Kwh)	612 790	16 081 088	16 693 878
Amount losses (R)	7 163 515	20 016 130	27 179 645
Percentage losses	25.19%	17.15%	42.34%
Avoidable losses			
Units (Kl or Kwh)	247 894	14 472 979	14 720 873
Amounts (R)	2 897 881	18 014 517	20 912 398
Percentage	10.19%	15.44%	25.63%
Technical losses			
Units (Kl or Kwh)	364 896	1 608 109	1 973 005
Amounts (R)	4 265 634	2 001 613	6 267 247
Percentage	15%	1.72%	2.05%

54. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix G3 for the comparison of actual operating expenditure versus budgeted expenditure.

55. Budget differences

Material differences between budget and actual amounts

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

- N1 - Result of lower consumption
- N2 - Vacant unit increased and resulted in decrease in rental
- N3 - Unexpected decrease due to relocation of licensing department
- N4 - Increase in the number of third parties
- N5 - Increase in demand
- N6 - Delays on VAT refund from VAT review
- N7 - Surplus cash was invested to yield additional income
- N8 - Budget process took into account new valuation roll without considering subsequent objections to the valuations roll
- N9 - Additional allocation during the year
- N10 - New service provider appointed during the year and first few months spent setting up systems.
- N11 - Lower spending as result of cash flow challenges
- N12 - Lower than anticipated consumption
- N13 - Lower spending as result of cash flow challenges

Appendix B

June 2017

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

Accumulated depreciation

	Opening Balance		Additions		Derecognition		Transfers		Reclassify - cost		Other		Closing Balance		Opening Balance		Accumulated impairment opening		Derecognition - Acc depr		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Other assets																												
Housing	21 819 971	-	-	-	-	-	-	-	-	-	-	-	-	21 819 971	(16 712 657)	-	-	-	-	-	(337 838)	-	-	-	(17 050 495)	4 769 476		
Operational buildings	49 531 633	-	-	-	-	-	-	-	-	-	-	-	-	49 531 633	(22 170 072)	-	-	-	-	-	(1 200 856)	-	-	-	(23 370 928)	26 160 705		
	71 351 604													71 351 604	(38 882 729)					(1 538 694)				(40 421 423)	30 930 181			
Infrastructure																												
Electricity	121 445 439	-	-	-	-	-	-	-	-	-	-	-	-	121 445 439	(75 399 210)	(252 543)	-	-	-	-	(2 749 663)	-	-	-	(78 401 416)	43 044 023		
Roads	281 703 345	14 801 889	-	-	-	-	-	-	-	-	-	-	286 549 698	(104 766 690)	(6 626)	-	-	-	-	-	(18 162 548)	-	-	-	(122 566 841)	173 282 855		
Sanitation network	189 743 001	4 797 037	-	-	-	-	-	-	-	-	-	-	194 540 038	(127 101 447)	-	-	-	-	-	-	(2 720 564)	-	-	-	(129 822 011)	64 718 027		
Solid waste infrastructure	15 700 766	-	-	-	-	-	-	-	-	-	10 704 235	-	26 405 001	(4 424 510)	-	-	-	-	-	-	(900 844)	-	-	-	(5 325 354)	21 079 647		
Storm water	96 961 549	12 628 092	-	-	-	-	-	-	-	-	-	-	109 589 641	(61 785 659)	-	-	-	-	-	-	(1 857 725)	-	-	-	(63 643 384)	45 946 257		
Water supply	268 284 354	24 564 161	-	-	-	-	-	-	-	-	-	-	283 076 925	(155 903 372)	(66 513)	-	-	-	-	-	(5 124 166)	-	-	-	(154 094 333)	128 982 592		
	973 838 454	56 791 159	(10 427 108)								10 704 235		1 030 906 740	(529 380 888)	(325 684)	7 368 743				(31 515 510)				(553 853 339)	477 053 401			
Community Assets																												
Parks & gardens	56 034 269	14 938 915	-	-	-	-	-	-	1 744 278	-	-	-	71 779 293	(29 678 607)	-	-	-	-	-	-	(2 185 512)	(237 576)	-	-	(31 564 327)	40 214 966		
Recreational facilities	11 083 134	6 047 571	-	-	-	-	-	-	201 186	-	-	-	17 331 891	(6 280 248)	-	-	-	-	-	-	(320 092)	-	-	-	(6 600 340)	10 731 551		
	67 117 403	20 986 486	(938 189)						1 945 464			89 111 184	(35 958 855)							517 368	(2 485 604)	(237 576)		(38 164 667)	50 946 517			

Appendix B
June 2017

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

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Reclassify - cost Rand	Other Rand	Closing Balance Rand	Opening Balance Rand	Accumulated impairment opening Rand	Derecognition -Acc depr Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
	538 950						538 950							538 950
Specialised vehicles														
Other assets														
Plant & equipment	1 338 239	726 399	(56 191)	-	-	-	2 008 447	(593 629)	-	52 848	(345 859)	-	(886 640)	1 121 807
Furniture & Fittings	3 811 151	934 188	(302 916)	-	-	-	4 442 423	(2 935 577)	-	280 891	(434 836)	-	(3 089 522)	1 352 901
Office Equipment	13 511 631	219 622	(239 790)	-	-	-	13 491 463	(9 081 839)	-	230 110	(4 094 798)	-	(12 946 527)	544 936
Motor Vehicles	25 245 313	-	-	-	-	-	25 245 313	(3 392 454)	-	-	(8 451 879)	-	(11 844 333)	13 400 980
Emergency Equipment	81 046	12 203	(1 636)	-	-	-	91 613	(65 388)	-	1 579	(8 211)	-	(72 020)	19 593
Work in progress	53 529 659	108 179 580	-	(77 777 645)	-	-	83 931 594	-	-	-	-	-	-	83 931 594
	97 517 039	110 071 992	(600 533)	(77 777 645)			129 210 853	(23 727 457)	7 798 312	565 428	(13 475 325)		(28 839 042)	100 371 811

Appendix B

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

	Opening Balance	Additions	Derecognition	Transfers	Revaluations	Other adjustments	Closing Balance	Opening Balance	Derecognition - Accum depr	Derecognition	Other adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings													
Housing (inc land)	21 819 971	-	-	-	-	-	21 819 971	(16 320 972)	-	(391 685)	-	(16 712 657)	5 107 314
Operational buildings	49 531 533	-	-	-	-	-	49 531 533	(20 532 425)	-	(1 637 647)	-	(22 170 072)	27 361 561
Roads and stormwater	878 356	-	-	-	-	(878 356)	-	(4 382)	-	(8 764)	13 146	-	-
	72 229 960	-	-	-	-	(878 356)	71 351 604	(36 857 779)	-	(2 038 096)	13 146	(38 832 729)	32 468 875
Infrastructure													
Electricity network	120 927 930	517 509	-	-	-	-	121 445 439	(72 729 277)	-	(2 922 475)	252 542	(75 399 210)	46 046 229
Roads and stormwater network	366 176 054	17 530 357	(6 017 685)	-	(96 085 191)	-	281 703 345	(163 408 366)	4 246 967	(7 384 433)	61 779 142	(104 766 690)	176 936 655
Sanitation network	189 749 001	-	-	-	-	-	189 749 001	(124 346 865)	-	(2 754 562)	-	(127 101 447)	62 647 554
Solid waste infrastructure	247 017 193	24 973 164	(220 150)	-	(256 074 441)	-	15 700 766	(150 566 206)	188 767	(5 576 165)	151 595 609	(4 424 510)	11 276 256
Stormwater	-	-	-	-	96 961 549	-	96 961 549	-	-	-	(61 785 659)	(61 785 659)	35 175 890
Water supply	-	-	-	-	268 284 354	-	268 284 354	-	-	-	(155 903 372)	(155 903 372)	112 380 982
	923 864 178	43 126 040	(6 238 035)	-	13 086 271	-	973 838 454	(511 050 736)	4 435 734	(18 637 635)	(4 061 738)	(529 380 888)	444 457 566
Community Assets													
Parks & gardens	63 655 580	7 220 915	(271 555)	-	-	(14 570 671)	56 034 269	(34 980 963)	208 053	(1 781 553)	6 875 856	(29 678 607)	26 355 662
Recreational facilities	11 083 134	-	-	-	-	-	11 083 134	(6 036 909)	-	(243 339)	-	(6 280 248)	4 802 886
	74 738 714	7 220 915	(271 555)	-	(14 570 671)	-	67 117 403	(41 017 872)	208 053	(2 024 892)	6 875 856	(35 958 855)	31 159 548

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

	Accumulated depreciation													
	Opening Balance	Additions	Derecognition	Transfers	Revaluations	Other adjustments	Closing Balance	Opening Balance	Derecognition - Accum depr	Derecognition - impairment	Depreciation	Other adjustments	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
	538 950						538 950							538 950
Specialised vehicles														
Other assets														
Plant & equipment	863 971	801 670	(327 402)	-	-	-	1 338 239	(670 672)	279 057	-	(202 008)	-	(593 623)	744 610
Furniture & Fittings	3 761 862	304 635	(255 345)	-	-	-	875 574	(2 799 722)	240 544	-	(376 389)	-	(2 935 567)	(2 059 993)
Office Equipment	13 312 784	571 597	(372 750)	-	-	-	13 511 631	(5 257 962)	333 646	-	(4 157 524)	-	(9 081 840)	4 423 791
Emergency Equipment	92 844	-	-	-	-	-	15 658	(66 094)	-	-	(9 092)	-	(77 186)	(61 528)
Work in progress	42 185 904	50 978 943	(43 126 040)	-	-	-	53 529 659	-	-	-	-	-	-	53 529 659
	60 217 365	52 656 845	(44 081 537)				69 270 761	(16 455 020)	8 651 559		(4 884 756)		(12 688 218)	56 582 539

Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Derecognition	Transfers	Revaluations	Other adjustments	Closing Balance	Opening Balance	Derecognition - Accum depr	Derecognition - impairment	Depreciation	Other adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment	1 131 589 167	103 003 800	(50 591 127)	-	-	-	1 182 117 172	(605 381 407)	13 295 346	(66 513)	(27 585 378)	2 827 264	(616 910 688)	565 206 478
Land and buildings	72 229 960	-	-	-	-	(878 356)	71 351 604	(36 857 779)	-	-	(2 038 096)	13 146	(38 892 729)	32 468 875
Infrastructure	923 864 178	43 126 040	(6 238 035)	-	-	13 086 271	973 838 484	(511 050 736)	4 435 734	(66 513)	(18 637 635)	(4 061 738)	(529 380 888)	444 457 566
Community Assets	74 738 714	7 220 915	(271 555)	-	-	(14 570 671)	67 117 403	(41 017 872)	208 053	-	(2 024 892)	6 875 856	(35 958 855)	31 158 548
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	60 217 365	52 656 845	(44 081 537)	-	-	478 088	69 270 761	(16 455 020)	8 651 559	-	(4 884 755)	-	(12 688 216)	56 582 539
	1 131 589 167	103 003 800	(50 591 127)	-	-	(1 884 668)	1 182 117 172	(605 381 407)	13 295 346	(66 513)	(27 585 378)	2 827 264	(616 910 688)	565 206 478
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 617 886	657 326	-	-	-	(632 885)	1 642 327	(158 257)	-	-	(113 366)	-	(271 623)	1 370 704
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	2 263 550	657 326	-	-	-	(632 885)	2 287 991	(158 257)	-	-	(113 366)	-	(271 623)	2 016 368
Investment properties														
Investment property	344 816 649	-	(14 719 766)	-	13 203 876	(273 613)	343 027 146	-	-	-	-	-	-	343 027 146
	344 816 649	-	(14 719 766)	-	13 203 876	(273 613)	343 027 146	-	-	-	-	-	-	343 027 146
Total														
Land and buildings	72 229 960	-	-	-	-	(878 356)	71 351 604	(36 857 779)	-	-	(2 038 096)	13 146	(38 892 729)	32 468 875
Infrastructure	923 864 178	43 126 040	(6 238 035)	-	-	13 086 271	973 838 484	(511 050 736)	4 435 734	(66 513)	(18 637 635)	(4 061 738)	(529 380 888)	444 457 566
Community Assets	74 738 714	7 220 915	(271 555)	-	-	(14 570 671)	67 117 403	(41 017 872)	208 053	-	(2 024 892)	6 875 856	(35 958 855)	31 158 548
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	60 217 365	52 656 845	(44 081 537)	-	-	478 088	69 270 761	(16 455 020)	8 651 559	-	(4 884 755)	-	(12 688 216)	56 582 539
Intangible assets	2 263 550	657 326	-	-	-	(632 885)	2 287 991	(158 257)	-	-	(113 366)	-	(271 623)	2 016 368
Investment properties	344 816 649	-	(14 719 766)	-	13 203 876	(273 613)	343 027 146	-	-	-	-	-	-	343 027 146
	1 478 669 366	103 661 126	(65 310 893)	-	13 203 876	(2 791 166)	1 527 452 309	(605 539 654)	13 295 346	(66 513)	(27 698 744)	2 827 264	(617 182 311)	910 249 992

Appendix C

June 2017

Segmental analysis of property, plant and equipment as at 30 June 2017 Accumulated Depreciation Cost/Revaluation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Reclassify Rand	Transfers Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition Rand	Reclassify Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Land and buildings	71 351 604	14 938 915	-	-	-	1 744 278	71 351 604	(38 882 729)	-	-	(1 538 694)	-	(40 421 423)	30 930 181
Comm. & Social / Libraries and archives	56 034 269	-	(938 169)	-	-	-	71 779 293	(29 678 607)	517 368	-	(2 169 512)	(237 576)	(31 564 327)	40 214 966
Sport and Recreation	11 083 134	6 047 571	-	-	-	201 186	17 331 891	(6 280 248)	-	-	(320 092)	-	(6 600 340)	10 731 551
Electricity / Electricity Distribution	121 445 439	-	-	-	-	-	121 445 439	(75 399 210)	(252 543)	-	(2 749 663)	-	(78 401 416)	43 044 023
Road Transport / Road	281 703 345	14 801 869	(655 519)	-	-	-	295 849 696	(104 766 690)	369 025	(6 628)	(16 162 546)	-	(122 566 841)	173 282 855
Waste Water Management / Sewerage	189 743 001	4 797 037	-	-	-	-	194 540 038	(127 101 447)	6 989 718	-	(5 124 166)	(66 513)	(129 822 011)	64 718 027
Water / Water Distribution	269 284 354	24 564 161	(9 771 590)	1 945 463	(77 777 645)	4 655 635	283 076 325	(155 903 372)	865 019	-	(8 036 200)	-	(154 094 333)	128 982 592
Other	217 145 249	122 700 084	(600 633)	-	-	-	268 068 253	(60 774 190)	-	(3 928 723)	-	-	(84 702 913)	252 100 635
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	(84 702 913)
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 216 790 395	187 849 637	(11 965 810)	1 945 463	(77 777 645)	6 601 099	1 323 443 139	(627 582 940)	8 498 587	(3 935 351)	(40 817 439)	(304 089)	(564 141 232)	659 301 907
Municipal Owned Entities														
Total	1 216 790 395	187 849 637	(11 965 810)	1 945 463	(77 777 645)	6 601 099	1 323 443 139	(627 582 940)	8 498 587	(3 935 351)	(40 817 439)	(304 089)	(564 141 232)	659 301 907
Municipality														
Municipal Owned Entities														

Segmental analysis of property, plant and equipment as at 30 June 2017
Accumulated Depreciation

Opening Balance Rand	Additions Rand	Derecognition Rand	Reclassify Rand	Transfers Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition Rand	Reclassify Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
1 216 790 395	187 848 637	(11 965 810)	1 945 463	(77 777 645)	6 601 099	1 323 443 139	(627 582 940)	8 498 687	(3 935 351)	(40 817 439)	(304 089)	(664 141 232)	659 301 907

Appendix D

June 2017

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	17 318 310	(17 318 310)	Executive & Council/Mayor and Council	-	15 081 826	(15 081 826)
112 739 736	104 065 355	8 674 381	Finance & Admin/Finance	133 200 797	117 415 480	15 785 317
231 849	9 644 043	(9 412 194)	Planning and Development/Economic Development/Plan	167 384	10 227 373	(10 059 989)
337 586	11 260 281	(10 922 695)	Comm. & Social/Libraries and archives	428 891	10 692 022	(10 263 131)
8 073 807	11 893 178	(3 819 371)	Waste Water Management/Sewerage	8 679 020	11 302 426	(2 623 406)
26 130 098	9 843 074	16 287 024	Road Transport/Roads	59 585 916	9 662 208	49 923 708
49 248 602	24 051 971	25 196 631	Water/Water Distribution	81 958 094	22 676 283	59 281 811
111 873 107	158 181 333	(46 308 226)	Other/Air Transport	140 544 843	149 596 099	(9 051 256)
308 634 785	346 257 545	(37 622 760)		424 564 945	346 653 717	77 911 228
Municipal Owned Entities Other charges						
308 634 785	346 257 545	(37 622 760)	Municipality	424 564 945	346 653 717	77 911 228
308 634 785	346 257 545	(37 622 760)	Total	424 564 945	346 653 717	77 911 228

Appendix E(1)

June 2017

Actual versus Budget(Revenue and Expenditure) for the 2016

	Forecast # 1 2017 Act. Bal.	Forecast # 1 2017 Adjusted budget Rand	Variance Rand	Explanation of Significant V greater than 10% versus I
	Rand	Rand	Var	
Revenue				
Service charges	147 043 336	167 385 180	(20 341 844)	(12.2) Result of lower consumption
Rental of facilities and equipment	1 099 298	1 550 000	(450 702)	(29.1) Vacant unit increased and resulted in derental
Licences and permits	3 256 242	15 000 000	(11 743 758)	(78.3) Unexpected decrease due to relocation department
Administration and management fees received	396 756	300 000	96 756	32.3 Increase in demand
Commissions received	61 098	45 000	16 098	35.8 Increase in the number of third parties
Property rates	62 467 982	79 647 886	(17 179 904)	(21.6) Budget process took into account new valuations without considering subsequent objection valuations roll
Demand charges	210 524	8 155 169	(7 944 645)	(97.4) Result of lower consumption
Government grant and subsidies	175 897 887	151 689 000	24 208 887	16.0 Additional allocation received
Other income	7 612 505	5 423 000	2 189 505	40.4 Delays on VAT refund from SARS
Other income - (rollup)	-	-	-	-
Town planning scheme	514 515	550 000	(35 485)	(6.5)
Fines	12 756 400	13 000 000	(243 600)	(1.9) New service provider appointed during the first few months spent setting up systems
Interest received	10 479 479	8 300 000	2 179 479	26.3 Surplus cash was invested to yield additional
	421 796 022	451 045 235	(29 249 213)	(6.5)
Expenses				
Personnel	(110 405 149)	(117 549 295)	7 144 146	(6.1)
Remuneration of councillors	(6 277 995)	(6 707 924)	429 929	(6.4)
Depreciation	(49 036 709)	(26 300 000)	(22 736 709)	86.5
Impairments	-	-	-	-
Finance costs	(10 317 130)	(10 345 743)	28 613	(0.3)
Debt impairment	(32 309 464)	(15 000 000)	(17 309 464)	115.4
Repairs and maintenance	(7 806 277)	(17 761 500)	9 955 223	(56.0) Lower spending as result of cash flow change
Bulk purchases	(85 227 482)	(99 905 949)	14 678 467	(14.7) Lower than anticipated consumption
General Expenses	(54 038 181)	(75 871 509)	21 833 328	(28.8) Lower spending as result of cash flow change
	(355 418 387)	(369 441 920)	14 023 533	(3.8)
Other revenue and costs				
Gain or loss on disposal of assets	2 768 924	(50 000)	2 818 924	637.8)
Fair value adjustments	12 278 941	-	12 278 941	-
Actuarial gain / (loss)	(3 514 272)	-	(3 514 272)	-
	11 533 593	(50 000)	11 583 593	167.2)
Net surplus/ (deficit) for the year	77 911 228	81 553 315	(3 642 087)	(4.5)

Appendix G1 Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2017

	2017/2016				2016/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard												
Governance and administration	152 968 438	(10 500 000)	142 468 438	131 731 703	-	(10 736 735)	92 %	86 %	-	-	-	121 462 885
Executive and council	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	151 458 438	(10 500 000)	140 958 438	130 431 873	-	(10 526 565)	93 %	86 %	-	-	-	120 225 136
Corporate services	1 510 000	-	1 510 000	1 289 830	-	(210 170)	86 %	86 %	-	-	-	1 237 749
Community and public safety	28 390 000	-	28 390 000	17 002 599	-	(11 387 401)	60 %	60 %	-	-	-	7 130 798
Community and social services	390 000	-	390 000	428 891	-	38 891	110 %	110 %	-	-	-	337 566
Sport and recreation	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	28 000 000	-	28 000 000	16 573 708	-	(11 426 292)	59 %	59 %	-	-	-	6 793 212
Housing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	23 853 000	-	23 853 000	59 753 300	-	35 900 300	251 %	251 %	-	-	-	26 361 947
Planning and development	200 000	-	200 000	167 384	-	(32 616)	84 %	84 %	-	-	-	231 849
Road transport	23 653 000	-	23 653 000	59 585 916	-	35 932 916	252 %	252 %	-	-	-	26 130 098
Environmental protection	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	253 393 797	-	253 393 797	213 308 421	-	(40 085 376)	84 %	84 %	-	-	-	161 164 555
Electricity	147 489 211	-	147 489 211	122 671 307	-	(24 817 904)	83 %	83 %	-	-	-	103 842 146
Water	91 042 162	-	91 042 162	81 956 094	-	(9 084 068)	90 %	90 %	-	-	-	49 248 602
Waste water management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	14 862 424	-	14 862 424	8 679 020	-	(6 183 404)	58 %	58 %	-	-	-	8 073 607
Other	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Revenue - Standard	458 605 235	(10 500 000)	448 105 235	421 796 023	(26 309 212)	94 %	92 %	92 %	316 120 185			

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2017

	2017/2016				2016/2015				Restated Audited Outcome						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure		Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered
Expenditure - Standard															
Governance and administration															
Executive and council	157 826 760	8 709 175	166 535 935	-	-	166 535 935	173 943 214	-	7 407 279	104 %	110 %	-	-	-	191 037 422
Budget and treasury office	16 756 068	2 000 000	18 756 068	-	-	18 756 068	15 081 826	-	(3 674 242)	80 %	90 %	-	-	-	17 318 310
Corporate services	77 639 133	2 144 273	79 843 406	-	-	79 843 406	114 646 566	-	34 803 150	144 %	148 %	-	-	-	111 550 755
Community and public safety	63 371 559	4 564 902	67 936 461	-	-	67 936 461	44 214 832	-	(23 721 629)	65 %	70 %	-	-	-	62 188 357
Community and social services	29 338 108	(2 511 855)	26 826 253	-	-	26 826 253	19 985 712	-	(6 840 541)	74 %	68 %	-	-	-	21 765 566
Public safety	15 101 016	(2 484 561)	12 616 455	-	-	12 616 455	10 692 022	-	(1 924 433)	85 %	71 %	-	-	-	11 260 281
Housing	14 237 092	(27 004)	14 210 088	-	-	14 210 088	9 293 690	-	(4 916 398)	DIV/0 %	DIV/0 %	-	-	-	10 505 265
Health	30 423 911	(5 651 606)	24 772 305	-	-	24 772 305	19 889 581	-	(4 882 724)	80 %	65 %	-	-	-	19 487 117
Economic and environmental services															
Planning and development	11 137 373	20 734	11 158 107	-	-	11 158 107	10 227 373	-	(930 734)	92 %	92 %	-	-	-	9 644 043
Road transport	19 286 538	(5 672 840)	13 614 198	-	-	13 614 198	9 662 208	-	(3 951 990)	71 %	50 %	-	-	-	9 843 074
Environmental protection	158 614 033	(10 196 895)	148 417 138	-	-	148 417 138	130 066 288	-	(18 350 850)	88 %	82 %	-	-	-	121 452 839
Electricity	116 040 463	(10 856 118)	105 184 345	-	-	105 184 345	96 087 574	-	(9 096 771)	91 %	83 %	-	-	-	85 507 690
Water	29 863 877	(1 412 386)	28 451 491	-	-	28 451 491	22 676 283	-	(5 775 208)	80 %	76 %	-	-	-	24 051 971
Waste water management	12 709 693	2 071 609	14 781 302	-	-	14 781 302	11 238 819	-	(3 542 483)	76 %	88 %	-	-	-	64 686
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	11 828 492
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	376 202 812	(9 650 891)	366 551 921	-	-	366 551 921	343 884 795	-	(22 667 126)	94 %	91 %	-	-	-	353 742 944
Surplus/(Deficit) for the year	82 402 423	(849 109)	81 553 314	-	-	81 553 314	77 911 228	-	(3 642 086)	95 %	95 %	-	-	-	(37 622 759)

Appendix G3 Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2017

	2017/2016				2016/2015				Restated Audited Outcome				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Virement (i.t.o. Council approved policy)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source													
Property rates	84 647 886	(15 000 000)	79 647 886	-	62 467 982	(17 179 904)	78 %	66 %					46 336 732
Service charges - electricity revenue	106 469 434	-	106 469 434	1 300 000	102 848 230	(4 921 204)	95 %	97 %					103 326 621
Service charges - water revenue	35 583 605	-	35 583 605	630 000	23 259 071	(12 954 534)	64 %	65 %					22 624 734
Service charges - sanitation revenue	11 126 717	-	11 126 717	-	14 862 227	3 735 510	134 %	134 %					9 464 684
Service charges - refuse revenue	11 265 424	-	11 265 424	1 010 000	6 073 608	(6 201 616)	49 %	54 %					6 171 908
Service charges - other	8 200 169	-	8 200 169	-	260 875	(7 939 294)	3 %	3 %					410 928
Rental of facilities and equipment	1 550 000	-	1 550 000	-	1 099 298	(450 702)	71 %	71 %					1 106 503
Interest earned - external investments	3 500 000	1 000 000	4 500 000	-	2 583 439	1 283 439	199 %	113 %					940 360
Interest earned - outstanding debtors	13 000 000	3 500 000	16 500 000	-	7 896 040	(8 960 040)	48 %	22 %					5 294 784
Fines	15 000 000	-	15 000 000	-	12 756 400	(2 243 600)	85 %	86 %					3 028 800
Licences and permits	151 689 000	-	151 689 000	-	175 897 867	(11 743 756)	116 %	116 %					3 201 147
Transfers recognised	6 273 000	(50 000)	6 223 000	-	8 534 523	2 311 523	137 %	136 %					104 252 391
Other revenue	-	50 000	50 000	-	-	(50 000)	- %	DIV/O %					9 860 595
Gains on disposal of PPE	-	-	-	-	-	-	- %	- %					-
Total Revenue (excluding capital transfers and contributions)	458 605 235	(10 500 000)	448 105 235	2 940 000	421 796 022	(29 249 213)	94 %	92 %					316 120 185

Appendix G3 Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2017

Expenditure By Type	2017/2016										2016/2015									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MIFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MIFMA	Balance to be recovered	Restated Audited Outcome						
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand						
Employee related costs	104 757 541	12 791 754	117 549 295	-	(90 631)	117 458 664	109 988 989	-	(7 469 665)	94 %	105 %	-	-	103 691 637						
Remuneration of councillors	6 707 924	-	6 707 924	-	90 631	6 798 555	6 618 099	-	(180 456)	97 %	99 %	-	-	6 325 883						
Debt Impairment	15 000 000	-	15 000 000	-	(1 167 289)	13 832 711	32 309 464	-	18 476 753	234 %	215 %	-	-	29 176 475						
Depreciation & asset impairment	28 000 000	-	28 000 000	-	(1 700 000)	26 300 000	49 096 709	-	22 796 709	186 %	175 %	-	-	30 808 519						
Finance charges	2 645 743	-	2 645 743	7 700 000	(2 500 000)	10 345 743	10 317 130	-	(28 613)	100 %	390 %	-	-	6 495 816						
Bulk purchases	104 905 949	(5 000 000)	99 905 949	-	-	97 405 949	86 416 900	-	(10 989 049)	89 %	82 %	-	-	78 914 897						
Other materials	29 811 500	(13 950 000)	15 861 500	-	-	15 861 500	7 806 277	-	(8 055 223)	49 %	26 %	-	-	10 257 612						
Contracted services	21 222 260	(12 369 260)	8 853 000	(700 000)	2 500 000	10 653 000	8 028 218	-	(2 604 782)	76 %	38 %	-	-	10 180 967						
Other expenditure	63 151 895	8 846 614	71 998 509	(2 360 000)	-	69 638 509	46 009 962	-	(23 628 547)	66 %	73 %	-	-	63 507 258						
Loss on disposal of PPE	-	50 000	50 000	-	-	30 000	3 514 273	-	3 484 273	7 029 %	DIV/O %	-	-	102 255						
Total Expenditure	376 202 812	(9 650 892)	366 551 920	4 640 000	(2 867 289)	368 324 631	360 046 031	-	(8 278 600)	96 %	96 %	-	-	359 461 419						
Surplus/(Deficit)	82 402 423	(849 108)	81 553 315	(1 700 000)	2 867 289	82 720 604	61 749 991	-	(20 970 613)	75 %	75 %	-	-	(43 341 234)						
Fair value adjustments	-	-	-	-	-	-	12 278 941	-	12 278 941	DIV/O %	DIV/O %	-	-	13 203 875						
Actual Gain / (Loss)	-	-	-	-	-	-	2 768 924	-	2 768 924	DIV/O %	DIV/O %	-	-	(7 485 400)						
Surplus/(Deficit) after capital transfers & contributions	82 402 423	(849 108)	81 553 315	(1 700 000)	-	79 853 315	76 797 856	-	(3 055 459)	96 %	93 %	-	-	(37 622 759)						
Surplus/(Deficit) after taxation	82 402 423	(849 108)	81 553 315	(1 700 000)	-	79 853 315	76 797 856	-	(3 055 459)	96 %	93 %	-	-	(37 622 759)						
Surplus/(Deficit) attributable to municipality	82 402 423	(849 108)	81 553 315	(1 700 000)	-	79 853 315	76 797 856	-	(3 055 459)	96 %	93 %	-	-	(37 622 759)						