

CEDERBERG LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2017

CEDERBERG LOCAL MUNICIPALITY

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CEDERBERG LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Cederberg Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Cederberg Local Municipality includes the following areas:

Algeria	Graafwater
Clanwilliam	Leipoltville
Lamberts Bay	Elands Bay
Citrusdal	

MEMBERS OF THE COUNCIL

Ward 1	Cllr Jan Meyer
Ward 2	Cllr Raymond Vernie Pretorius
Ward 3	Cllr Benjamin Ferdinand Zass
Ward 4	Cllr Jimmy Barnard
Ward 5	Cllr William Josef Farmer
Ward 6	Cllr Rhoda Gladys Witbooi
Proportional	Cllr Jonas White
Proportional	Cllr Evelyn Nombulelo Majikejela
Proportional	Cllr Nosiphiwo Sylvia Qunta
Proportional	Cllr Marianne Nel
Proportional	Cllr Lorna Scheepers

MEMBERS OF THE MAYORAL COMMITTEE

Cllr J Barnard (Executive Mayor)
Cllr BF Zass (Deputy Executive Mayor)
Cllr RV Pretorius
Cllr RG Witbooi

ACTING MUNICIPAL MANAGER

Mr PL Volschenk

CHIEF FINANCIAL OFFICER

Mr Elrico Alfred

AUDIT COMMITTEE

Pieter Strauss (Chairperson)
Leone Arendse
Marjorie Linnert

REGISTERED OFFICE

2A Voortrekker Road
Clanwilliam

POSTAL ADDRESS

Private Bag x2
Clanwilliam
8135

CEDERBERG LOCAL MUNICIPALITY

GENERAL INFORMATION

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA Bank Limited

ATTORNEYS

Burger & Marais
Erasmus and Associates
Visser en Vennote
Grant Spammer Prokureurs
Avontuur & Genote
DM Lancaster
EW Vermaak
Mark Filton
Nongogo Nuku Inc
Turner Legal
Webber Wentzel

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
National Environmental Management Act
Preferential Procurement Policy Framework Act, 200
Occupational Health and Safety Act

CEDERBERG LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS



APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2017, which are set out on pages 1 to 75 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 GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality’s cash flow forecast for the year to 30 June 2018 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality’s financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr PL Volschenk
Municipal Manager

Date

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R (Actual)	2016 R (Restated)
ASSETS			
Current Assets		64 411 930	42 823 711
Cash and Cash Equivalents	2	22 300 890	2 490 231
Receivables from Exchange Transactions	3	26 473 276	27 625 088
Receivables from Non-Exchange Transactions	4	13 193 291	10 324 657
Operating Lease Asset	6	7 794	3 965
Inventory	7	2 436 678	2 379 770
Non-Current Assets		570 727 216	559 707 341
Investment Property	8	74 946 252	75 001 847
Property, Plant and Equipment	9	495 426 531	484 556 820
Intangible Assets	10	354 433	148 674
Total Assets		635 139 146	602 531 051
Current Liabilities		85 590 132	66 844 017
Current Portion of Long-term Liabilities	11	3 039 169	2 480 523
Consumer Deposits	12	1 812 782	1 662 487
Payables from exchange transactions	13	39 968 282	52 821 757
Unspent Conditional Government Grants	14	32 314 994	2 414 336
Taxes	5	743 662	139 792
Operating Lease Liability	6	25 276	23 526
Current Employee benefits	15	7 685 965	7 301 596
Non-Current Liabilities		89 593 935	87 643 036
Long-term Liabilities	11	19 012 417	20 173 788
Employee benefits	16	27 967 314	27 424 387
Non-Current Provisions	17	42 614 204	40 044 861
Total Liabilities		175 184 066	154 487 052
NET ASSETS		459 955 080	448 043 999
COMMUNITY WEALTH			
Accumulated Surplus		459 955 080	448 043 999
		459 955 080	448 043 999

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2017

	Notes	2017 R (Actual)	2016 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		151 466 553	166 023 537
Taxation Revenue		48 536 767	40 631 647
Property Rates	18	38 308 187	31 329 349
Other Taxes	19	10 228 580	9 302 298
Transfer Revenue		78 262 333	113 595 979
Government Grants and Subsidies - Operating	20	50 308 265	71 338 081
Government Grants and Subsidies - Capital	20	27 575 163	42 245 398
Public Contributions and Donations	21	17 203	12 500
Contributed Assets		361 702	-
Other Revenue		24 667 452	11 795 912
Insurance Receipts		183 739	56 015
Fines	22	21 178 435	8 689 380
Actuarial Gains	23	3 259 244	2 939 192
Reversal of Impairments	24	46 034	111 325
REVENUE FROM EXCHANGE TRANSACTIONS		121 223 861	111 035 601
Operating Activities		121 223 861	111 035 601
Service Charges	25	108 100 993	97 818 211
Rental of Facilities and Equipment	26	3 755 082	3 252 262
Interest Earned - external investments		863 414	355 840
Interest Earned - outstanding debtors	27	2 960 994	3 539 459
Agency Services		1 699 486	1 598 321
Licences and Permits	28	1 117 949	987 493
Other Income	29	2 725 943	3 484 015
TOTAL REVENUE		272 690 414	277 059 138
EXPENDITURE			
Employee Related Costs	30	83 344 277	78 229 940
Remuneration of Councillors	31	4 776 507	4 327 829
Debt Impairment	32	32 326 939	19 645 540
Collection Cost		601 145	2 229 976
Depreciation and Amortisation	33	16 044 595	15 876 197
Repairs and Maintenance	34	-	-
Finance Charges	35	7 887 228	9 967 992
Bulk Purchases	36	67 596 734	63 222 238
Other Expenditure	37	47 279 482	66 249 578
Loss on disposal of Non-Monetary Assets	38	922 430	989 792
TOTAL EXPENDITURE		260 779 337	260 739 081
NET SURPLUS FOR THE YEAR		11 911 076	16 320 057

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2017

	CAPITAL REPLACEMENT RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2015 - Previously Reported	4 000 000	424 699 199	428 699 199
Correction of error restatement - refer to note 39.5	-	3 024 746	3 024 746
Balance on 30 June 2015 - Restated	4 000 000	427 723 944	431 723 944
Net Surplus for the year	-	16 320 055	16 320 055
Transfers from Reserves	(4 000 000)	4 000 000	-
Balance on 30 June 2016 - Restated	-	448 043 999	448 043 999
Net Surplus for the year	-	11 911 080	11 911 080
Balance on 30 June 2017	-	459 955 080	459 955 080

CEDERBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2017

	Notes	2017 R (Actual)	2016 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		32 839 893	32 090 274
Service Charges and Other Taxes		104 950 995	92 856 390
Other Revenue		16 080 988	13 767 101
Government Grants		107 784 086	114 034 607
Interest		3 824 409	3 895 299
Payments			
Suppliers and employees		(214 936 752)	(212 010 519)
Finance charges		(2 667 797)	(5 278 468)
NET CASH FROM OPERATING ACTIVITIES	41	47 875 820	39 354 684
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of Property, Plant and Equipment		640 725	412 779
Payments			
Purchase of Investment Property		-	(235 090)
Purchase of Property, Plant and Equipment		(27 499 480)	(43 773 916)
Purchase of Intangible Assets		(256 541)	(7 495)
NET CASH USED INVESTING ACTIVITIES		(27 115 296)	(43 603 722)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
New loans raised		1 414 116	4 000 000
Increase in Consumer Deposits		150 300	112 964
Payments			
Loans repaid		(2 514 280)	(3 934 667)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(949 865)	178 298
NET INCREASE/(DECREASE) IN CASH HELD		19 810 659	(4 070 740)
Cash and Cash Equivalents at the beginning of the year		2 490 231	6 560 971
Cash and Cash Equivalents at the end of the year		22 300 890	2 490 231

CEDERBERG LOCAL MUNICIPALITY

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

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Current assets	52 540 140	(8 379 377)	44 160 763	64 411 930	20 251 167
Non-current assets	517 427 117	5 000 000	522 427 117	570 727 216	48 300 099
Current liabilities	40 125 954	-	40 125 954	85 590 132	45 464 178
Non-current liabilities	82 551 796	5 000 000	87 551 796	89 593 935	2 042 139
Total Community Wealth	447 289 507	(8 379 377)	438 910 130	459 955 080	21 044 950
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Property rates	40 904 000	(1 087 829)	39 816 171	38 308 187	(1 507 984)
Service Charges	118 473 145	1 270 522	119 743 667	118 329 572	(1 414 095)
Investment revenue	367 599	170 000	537 599	863 414	325 815
Transfers recognised - operational	44 949 650	8 385 755	53 335 405	50 308 265	(3 027 140)
Other own revenue	15 187 895	27 115 836	42 303 731	36 944 109	(5 359 622)
Total Revenue (excluding capital transfers)	219 882 289	35 854 284	255 736 573	244 753 548	(10 983 025)
EXPENDITURE					
Employee costs	73 779 856	2 713 550	76 493 406	83 344 277	6 850 871
Remuneration of councillors	4 477 572	374 125	4 851 697	4 776 507	(75 190)
Debt Impairment	10 000 000	30 819 599	40 819 599	32 326 939	(8 492 660)
Depreciation & asset impairment	18 313 810	(1 024 108)	17 289 702	16 044 595	(1 245 107)
Finance charges	7 145 831	262 493	7 408 324	7 887 228	478 904
Materials and bulk purchases	67 024 487	472 891	67 497 378	67 596 734	99 356
Other expenditure	49 364 310	8 744 442	58 108 752	48 803 057	(9 305 695)
Total Expenditure	230 105 866	42 362 992	272 468 858	260 779 337	(11 689 521)
Surplus/(Deficit)	(10 223 577)	(6 508 708)	(16 732 285)	(16 025 789)	706 496
Transfers recognised - capital	45 910 350	12 548 616	58 458 966	27 575 163	(30 883 803)
Contributions Recognised - Capital	-	-	-	361 702	361 702
NET SURPLUS FOR THE YEAR	35 686 773	6 039 908	41 726 681	11 911 076	(29 815 605)
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	56 451 842	16 735 300	73 187 142	47 875 820	(25 311 322)
Net Cash Flow from Investing Activities	(50 560 750)	(19 473 763)	(70 034 513)	(27 115 296)	42 919 217
Net Cash Flow from Financing Activities	(2 087 826)	-	(2 087 826)	(949 865)	1 137 961
Net increase in cash and cash equivalents	3 803 266	(2 738 463)	1 064 803	19 810 659	18 745 856

Refer to note 43.1 for explanations of material variances between the original and final budget.

Refer to note 43.2 for explanations of material variances between actual amounts and the final budget.

Material variances are considered to be any variances greater than R2.5 million.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt any of the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018
GRAP 106 (2017)	Transfer of Functions Between Entities Not Under Common Control	1 April 2018

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

The Municipality resolved not to early adopt the following Interpretation of the Standard of GRAP which was issued but is not yet effective:

Standard	Description	Effective Date
iGRAP 18 (2017)	Recognition and Derecognition of Land	1 April 2019

When the above-mentioned Interpretation of the Standards of GRAP becomes effective, the effect will be insignificant as the Municipality's current treatment is already in line with the interpretation's requirements and will only result in additional disclosure.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following original Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 18 - Segment Reporting (February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2.2 GRAP 20 - Related Party Disclosure (June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains 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.

The Municipality resolved to develop an accounting policy as set out in note 1.34 and also adopt the disclosure requirements of this Standard. The impact of this Standard on the financial statements will be minimal.

1.08.2.3 GRAP 32 - Service Concession Arrangements: Grantor (August 2013)

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

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2.4 GRAP 34 - Separate Financial Statements (Original - March 2017)

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.

No significant impact is expected as the Municipality has no investments in any entities.

1.08.2.5 GRAP 35 - Consolidated Financial Statements (Original - March 2017)

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.

No significant impact is expected as the Municipality does not control any entities.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.08.2.6 GRAP 36 - Investments in Associates and Joint Ventures (Original - March 2017)

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.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.08.2.7 GRAP 37 - Joint Arrangements (Original - March 2017)

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).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.08.2.8 GRAP 38 - Disclosure of Interests in Other Entities (Original - March 2017)

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

- (a) 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
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.08.2.9 GRAP 108 - Statutory Receivables (September 2013)

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

The Municipality resolved to develop an accounting policy as set out in note 1.19.

The impact of this Standard on the financial statements will be minimal.

1.08.2.10 GRAP 109 - Accounting by Principles and Agents (July 2015)

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.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.08.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (August 2015)

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.09 RESERVES

1.09.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

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

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

1.10 INVESTMENT PROPERTY

1.10.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as 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 is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property 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.

1.10.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.10.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	100

1.10.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if 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.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.11.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.11.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
Land and Buildings		Community	
Land	N/A	Recreational Facilities	20 - 101
Buildings	9 - 101	Parks & Gardens	50 - 71
Capitalised Restoration Costs	14 - 22	Community Halls	16 - 101
		Libraries	51 - 100
Infrastructure		Cemeteries	30 - 71
Roads, Pavements, Bridges & Storm Water	4 - 50	Museums and Art Galleries	0-100
Water Network	8 - 60	Work in Progress	N/A
Electricity Network	9 - 115		
Sewerage Network	5 - 60	Other	
Work in Progress	N/A	Computer Equipment	5 - 17
		Motor Vehicles	8 - 26
Finance lease assets		Office Equipment	5 - 31
Office equipment	3 - 11	Plant & Equipment	5-36
		Specialised Vehicles	15 - 19

1.11.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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1.11.5 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.12 INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.12.2 Subsequent Measurement - Cost Model

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

1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

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The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	6-16

1.12.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.13 IMPAIRMENT OF NON-MONETARY ASSETS

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

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

1.13.1 Recoverable amount of Cash-generating assets

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

The best evidence of fair value less 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.

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.

1.13.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.13.3 Impairment loss

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

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

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.13.4 Reversal of an impairment loss

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

1.14 INVENTORIES

1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

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1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

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

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 would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the first-in-first-out (FIFO) method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.15 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.15.1.1 Multi-employer defined benefit plans

The Municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.15.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

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Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 Long-term Benefits

1.15.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Short-term Benefits

1.15.3.1 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.3.2 Bonuses

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.15.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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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 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 will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality 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.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.17 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.

1.17.1 Municipality as Lessee

1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.17.2 Municipality as Lessor

1.17.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

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1.17.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.18 FINANCIAL INSTRUMENTS

1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

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1.18.3.1 *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 discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

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 is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.18.3.2 *Financial assets measured at cost*

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

1.18.4 **Derecognition of financial instruments**

1.18.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

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

1.18.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.18.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 **STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.19.1 **Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

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1.19.2 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 subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

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 amount of any adjustment is recognised in the Statement of Financial Performance.

1.19.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.25 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

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

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.26.1.1 *Taxation Revenue*

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

1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment.

1.26.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises 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.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.26.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.26.2 **Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

1.26.2.2 Interest earned

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.26.2.3 Rental income

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

1.26.2.4 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.26.2.5 Other Tariffs

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

1.26.2.6 Sale of goods

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

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

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.27 **BORROWING COSTS**

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.28 **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 **CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.32 **CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.33 EVENTS AFTER REPORTING DATE

Events after the 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:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.34 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.35.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2009 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2009 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.35.2 Impairment of Receivables

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

1.35.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.35.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.35.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical benefits and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.35.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.35.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.35.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

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CASH AND CASH EQUIVALENTS

Bank Accounts	2 859 556	2 308 965
Call Investment Deposits	19 433 004	173 836
Cash Floats	8 330	7 430

Total	22 300 890	2 490 231
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Due to the short term nature of cash deposits, all balances included above are in line with their fair values.

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	32 314 994	2 414 336
VAT	743 662	139 792
Shortfall on working capital requirements - refer to note 56 on financial sustainability	(10 757 766)	(63 897)

Total Cash and Cash Equivalents	22 300 890	2 490 231
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Overdraft facility with ABSA Bank	6 000 000	6 000 000
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Bank Accounts

Detail of the Bank Accounts (Cash book balances) are as follow:

Cash book balance at beginning of year	2 308 965	1 480 877
Cash book balance at end of year	2 859 556	2 308 965

Bank accounts consists out of the following accounts:

ABSA - Account number 40-5357-8397 (Current Account)

Bank statement balance at beginning of year	1 730 796	524 794
Bank statement balance at end of year	2 320 540	1 730 796

ABSA - Account number 40-7639-1003 (Traffic Account)

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

ABSA - Account number 40-7639-1273 (Service Account)

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

ABSA - Account number 40-7873-7035 (Elands Bay Fish Factory Account)

Bank statement balance at beginning of year	-	2 065
Bank statement balance at end of year	-	-

Standard Bank - Account number 082163324 (Eskom Guarantee Account)

Bank statement balance at beginning of year	25 595	20 502
Bank statement balance at end of year	15 655	25 595

Summary of all bank accounts

Bank statement balance at beginning of year	1 756 390	547 360
Bank statement balance at end of year	2 336 195	1 756 390

Call Investment Deposits

Call investment deposits consist out of the following accounts:

ABSA - Acc no 9282399664	19 433 004	173 836
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CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Service Receivables

Electricity	14 236 521	12 999 104
Water	22 794 910	19 648 266
Refuse	8 242 170	6 933 503
Sewerage	10 293 600	8 518 131
Loan Instalments	143	9 431
Other	1 355 201	2 539 978

Total Gross Balance

56 922 544 50 648 413

Less: Allowance for Debt Impairment

(30 449 268) (23 023 325)

Total Net Receivable

26 473 276 27 625 088

As previously reported

28 158 873

Correction of error restatement - note 39.1

(533 785)

Restated balance

27 625 088

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year	23 023 325	20 896 557
Movement in the contribution to the provision	14 530 389	14 358 034
Bad Debts Written off	(7 104 447)	(12 231 266)
Balance at the end of the year	30 449 268	23 023 325

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

	Gross Balance R	Allowance for Debt Impairment R	Net Receivable R
30 June 2017			
Service Receivables			
Electricity	14 236 521	(3 239 653)	10 996 868
Water	22 794 910	(14 041 429)	8 753 481
Refuse	8 242 170	(5 361 598)	2 880 571
Sewerage	10 293 600	(6 723 497)	3 570 103
Loan Instalments	143	(143)	1
Other	1 355 201	(1 082 948)	272 252
Total	56 922 544	(30 449 268)	26 473 276
30 June 2016			
Service Receivables			
Electricity	12 999 104	(3 257 795)	9 741 309
Water	19 648 266	(10 101 730)	9 546 535
Refuse	6 933 503	(3 776 988)	3 156 515
Sewerage	8 518 131	(4 871 314)	3 646 817
Loan Instalments	9 431	(5 763)	3 668
Other	2 539 978	(1 009 735)	1 530 243
Total	50 648 413	(23 023 325)	27 625 088

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

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3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of Receivables from Exchange Transactions

Electricity

Current (0 - 30 days)	7 004 358	6 520 511
Past Due (31 - 60 Days)	1 197 522	1 105 924
Past Due (61 - 90 Days)	624 200	492 952
Past Due (90 Days +)	5 410 442	4 879 718
Total	14 236 521	12 999 104

Water

Current (0 - 30 days)	2 764 202	2 669 452
Past Due (31 - 60 Days)	1 160 732	1 249 315
Past Due (61 - 90 Days)	1 039 887	931 406
Past Due (90 Days +)	17 830 089	14 798 092
Total	22 794 910	19 648 266

Refuse

Current (0 - 30 days)	674 895	590 502
Past Due (31 - 60 Days)	461 234	440 378
Past Due (61 - 90 Days)	385 971	353 334
Past Due (90 Days +)	6 720 070	5 549 289
Total	8 242 170	6 933 503

Sewerage

Current (0 - 30 days)	832 638	747 317
Past Due (31 - 60 Days)	570 466	498 130
Past Due (61 - 90 Days)	408 658	373 473
Past Due (90 Days +)	8 481 839	6 899 211
Total	10 293 600	8 518 131

Loan Instalments

Current (0 - 30 days)	-	58
Past Due (31 - 60 Days)	-	58
Past Due (61 - 90 Days)	-	57
Past Due (90 Days +)	143	9 258
Total	143	9 431

Other

Current (0 - 30 days)	80 759	1 285 403
Past Due (31 - 60 Days)	33 532	94 349
Past Due (61 - 90 Days)	87 268	16 955
Past Due (90 Days +)	1 153 642	1 143 271
Total	1 355 201	2 539 978

Summary Ageing of all Receivables from Exchange Transactions

Current (0 - 30 days)	11 356 851	11 813 244
Past Due (31 - 60 Days)	3 423 486	3 388 153
Past Due (61 - 90 Days)	2 545 984	2 168 177
Past Due (90 Days +)	39 596 224	33 278 839
Total	56 922 544	50 648 413

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

Rates

23 356 741

19 975 937

Other Receivables

30 662 248

14 581 689

Unpaid Traffic Fines

26 725 510

10 742 467

Suspense Debtors

790 018

701 593

Deposits

3 146 720

3 137 629

Total Gross Balance

54 018 989

34 557 626

Less: Allowance for Debt Impairment

(40 825 698)

(24 232 970)

Total Net Receivable

13 193 291

10 324 657

As previously reported

8 132 148

Correction of error restatement - note 39.2

2 192 509

Restated balance

10 324 657

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year

24 232 970

18 919 030

Movement in the contribution to the provision

18 680 219

5 636 895

Bad Debts Written off

(2 087 491)

(322 956)

Balance at the end of the year

40 825 698

24 232 970

The Allowance for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

	Gross Balance R	Allowance for Debt Impairment R	Net Receivable R
30 June 2017			
Service Receivables			
Rates	23 356 741	(16 449 866)	6 906 875
Other Receivables			
Unpaid Traffic Fines	26 725 510	(24 375 831)	2 349 679
Suspense Debtors	790 018	-	790 018
Deposits	3 146 720	-	3 146 720
Total	54 018 989	(40 825 698)	13 193 291
30 June 2016			
Service Receivables			
Rates	19 975 937	(13 811 744)	6 164 193
Other Receivables			
Unpaid Traffic Fines	10 742 467	(10 421 226)	321 241
Suspense Debtors	701 593	-	701 593
Deposits	3 137 629	-	3 137 629
Total	34 557 626	(24 232 970)	10 324 657

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of Receivables from Non-Exchange Transactions

Rates

Current (0 - 30 days)	2 242 026	2 470 333
Past Due (31 - 60 Days)	1 479 046	1 126 790
Past Due (61 - 90 Days)	1 009 487	729 809
Past Due (90 Days +)	18 626 182	15 649 005
Total	23 356 741	19 975 937

5 TAXES

VAT Receivable/(Payable)	(1 756 773)	(1 089 695)
VAT Input in Suspense	5 561 005	4 030 153
VAT Output in Suspense - net	(4 547 894)	(3 080 250)
VAT Output in Suspense	(7 797 495)	(5 446 182)
Less: VAT on Allowance for Debt Impairment	3 249 601	2 365 932

Total	(743 662)	(139 792)
--------------	------------------	------------------

As previously reported		(14 991)
Correction of error restatement - note 39.1		37 733
Correction of error restatement - note 39.4		(162 534)
Restated balance		(139 792)

Reconciliation of VAT on Allowance for Debt Impairment

Balance at beginning of year	2 365 932	2 016 544
Debt Impairment for current year	883 669	349 388
Balance at the end of the year	3 249 601	2 365 932

6 OPERATING LEASES

6.1 OPERATING LEASE ASSETS

Operating Lease Asset	7 794	3 965
-----------------------	--------------	--------------

The operating lease asset is derived from contracts where the Municipality acts as the lessor in the agreement.

Reconciliation of Operating Lease Asset

Balance at the beginning of the year	3 965	23 430
Movement during the year	3 829	(19 465)
Balance at the end of the year	7 794	3 965

The Municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	124 010	138 584
Between 1 and 5 Years	76 630	200 639
After 5 Years	-	-
Total operating lease payments	200 639	339 223

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased. Escalation between 6 and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available.

The Municipality does not engage in any sub-lease arrangements nor did the Municipality receive any contingent rent during the year.

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6 OPERATING LEASES (CONTINUED)

6.2 OPERATING LEASE LIABILITIES

Operating Lease Liability	25 276	23 526
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The operating lease liability is derived from contracts where the Municipality acts as the lessee in the agreement.

Reconciliation of Operating Lease Liability

Balance at the beginning of the year	23 526	3 733
Movement during the year	1 750	19 793
Balance at the end of the year	25 276	23 526

The Municipality will incur the following lease expenditure from contracts that have defined lease payments and terms.

Within 1 Year	232 409	215 944
Between 1 and 5 Years	92 997	300 771
After 5 Years	25 620	50 254
Total operating lease payments	351 025	566 969

Operating leases consist out of the following leases:

- Lease of office space for a period of 36 months (ending June 2018) with an escalation of 8% per annum.
- Lease of a swimming pool for a period of 120 months (ending June 2023) with an escalation of 4% per annum.

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not pay any contingent rent during the year.

7 INVENTORY

Maintenance Materials - at cost	1 076 084	1 004 097
Water – at cost	128 999	109 078
Land held for sale	1 231 595	1 266 595
Total	2 436 678	2 379 770

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

Inventory written down due to losses identified during the annual stores counts	559	-
---	-----	---

Inventory recognised as an expense during the year	704 808	1 148 782
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CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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INVESTMENT PROPERTY

Investment Property - Carrying Value

74 946 252

75 001 847

The carrying value of Investment Property is reconciled as follows:

Opening Carrying Value

75 001 847

74 821 446

Cost

75 429 020

75 193 930

Accumulated Depreciation

(427 173)

(372 484)

Additions

-

235 090

Depreciation for the year

(55 595)

(54 689)

Closing Carrying Value

74 946 252

75 001 847

Cost

75 429 020

75 429 020

Accumulated Depreciation

(482 769)

(427 173)

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No operating expenditure was incurred on investment property during the 2016/17 and 2015/16 financial year.

9

PROPERTY, PLANT AND EQUIPMENT

Cost
R

Accumulated
Depreciation
R

Accumulated
Impairment
R

Carrying
Value
R

30 June 2017

Land and Buildings

58 804 996

(13 955 481)

(1 653)

44 847 862

Infrastructure

615 788 025

(240 407 727)

-

375 380 295

Leased Assets

2 116 802

(232 751)

-

1 884 052

Community Assets

62 113 538

(3 406 617)

-

58 706 920

Other Assets

25 600 075

(10 992 672)

-

14 607 402

Total

764 423 437

(268 995 249)

(1 653)

495 426 531

30 June 2016

Land and Buildings

58 653 317

(11 707 443)

(47 688)

46 898 187

Infrastructure

592 344 060

(229 218 313)

-

363 125 743

Leased Assets

910 974

(479 272)

-

431 702

Community Assets

61 289 734

(2 882 379)

-

58 407 355

Other Assets

26 299 187

(10 605 354)

-

15 693 833

Total

739 497 272

(254 892 761)

(47 688)

484 556 820

As previously reported

484 328 363

Correction of error restatement - note 39.3

228 457

Restated balance

484 556 820

Repairs and maintenance incurred on Property, Plant and Equipment

4 915 853

4 337 711

The leased property, plant and equipment and the buildings are secured as set out in note 11.

The reconciliation of the carrying value of Property, Plant and Equipment is disclosed on the following page:

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Transfer of Assets	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Closing Balance	
30 June 2017	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	58 653 317	185 252	(33 573)	-	-	58 804 996	11 755 130	2 248 039	(46 034)	-	13 957 135	44 847 862
Land	18 116 881	-	-	-	-	18 116 881	-	-	-	-	-	18 116 881
Buildings	12 789 500	185 252	-	-	-	12 974 752	859 117	141 674	-	-	1 000 790	11 973 962
Capitalised Restoration Costs	27 746 936	-	(33 573)	-	-	27 713 363	10 896 014	2 106 365	(46 034)	-	12 956 345	14 757 018
Infrastructure	592 344 060	23 470 920	(26 955)	-	-	615 788 025	229 218 313	11 194 188	-	(4 773)	240 407 727	375 380 298
Roads, Pavements, Bridges & Storm Water	129 461 053	-	-	-	-	129 461 053	62 634 322	3 595 200	-	-	66 229 522	63 231 531
Water Network	116 021 839	-	(26 955)	-	48 091	116 042 975	59 693 386	2 816 290	-	(4 773)	62 504 902	53 538 072
Electricity Network	139 180 249	-	-	-	348 633	139 528 881	74 203 313	3 040 021	-	-	77 243 334	62 285 547
Sewerage Network	75 043 313	-	-	-	37 845	75 081 158	32 687 292	1 742 677	-	-	34 429 969	40 651 190
Work in Progress	132 637 606	23 470 920	-	-	(434 569)	155 673 958	-	-	-	-	-	155 673 958
Leased Assets	910 974	1 738 592	(532 764)	-	-	2 116 802	479 272	172 029	-	(418 551)	232 751	1 884 052
Office Equipment	910 974	497 440	(532 764)	-	-	875 650	479 272	172 029	-	(418 551)	232 751	642 899
Motor Vehicles	-	1 241 152	-	-	-	1 241 152	-	-	-	-	-	1 241 152
Community Assets	61 289 734	835 006	(11 202)	-	-	62 113 538	2 882 379	524 238	-	-	3 406 617	58 706 921
Recreational Facilities	48 939 449	432 064	-	-	-	49 371 513	2 568 541	429 170	-	-	2 997 711	46 373 802
Parks & Gardens	610 118	58 300	-	-	-	668 418	7 084	3 282	-	-	10 366	658 052
Community Halls	1 650 927	6 800	-	-	-	1 657 727	27 181	6 796	-	-	33 978	1 623 750
Libraries	7 632 583	315 654	-	-	-	7 948 237	218 111	69 647	-	-	287 758	7 660 479
Cemeteries	665 793	22 187	-	-	-	687 980	17 047	9 788	-	-	26 835	661 145
Museums and Art Galleries	655 500	-	-	-	-	655 500	44 415	5 555	-	-	49 970	605 530
Work in Progress	1 135 364	-	(11 202)	-	-	1 124 162	-	-	-	-	-	1 124 162
Other Assets	26 299 187	1 767 149	(2 827 964)	361 702	-	25 600 075	10 605 354	1 800 246	-	(1 412 928)	10 992 672	14 607 402
Computer Equipment	1 809 891	675 536	(72 432)	-	-	2 412 995	944 308	173 318	-	(61 613)	1 056 012	1 356 983
Motor Vehicles	12 400 541	555 968	(2 399 652)	361 702	-	10 918 560	4 360 576	736 378	-	(1 117 268)	3 979 686	6 938 874
Office Equipment	5 023 451	218 437	(182 784)	-	-	5 059 103	2 358 431	354 231	-	(127 355)	2 585 307	2 473 796
Plant & Equipment	5 642 569	317 209	(173 096)	-	-	5 786 681	2 338 123	460 738	-	(106 691)	2 692 169	3 094 512
Specialised Vehicles	1 422 735	-	-	-	-	1 422 735	603 915	75 582	-	-	679 497	743 238
	739 497 272	27 996 920	(3 432 458)	361 702	-	764 423 437	254 940 449	15 938 740	(46 034)	(1 836 252)	268 996 902	495 426 534

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Transfer of Assets	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
30 June 2016												
Land and Buildings	59 158 146	545 076	(1 049 905)	-	-	58 653 317	9 565 718	2 300 738	(111 325)	-	11 755 130	46 898 187
Land	18 116 881	-	-	-	-	18 116 881	-	-	-	-	-	18 116 881
Buildings	12 723 491	66 009	-	-	-	12 789 500	722 183	136 934	-	-	859 117	11 930 384
Capitalised Restoration Costs	28 317 774	479 067	(1 049 905)	-	-	27 746 936	8 843 535	2 163 804	(111 325)	-	10 896 014	16 850 922
Infrastructure	560 372 404	33 316 413	(1 344 757)	-	-	592 344 060	218 865 931	11 063 565	-	(711 183)	229 218 313	363 125 747
Roads, Pavements, Bridges & Storm Water	109 458 785	-	(354 054)	-	20 356 323	129 461 053	59 316 651	3 480 111	-	(162 440)	62 634 322	66 826 731
Water Network	116 159 969	-	(458 994)	-	320 863	116 021 839	57 068 486	2 831 206	-	(206 306)	59 693 386	56 328 452
Electricity Network	135 734 455	-	(484 470)	-	3 930 264	139 180 249	71 521 439	3 012 289	-	(330 415)	74 203 313	64 976 936
Sewerage Network	72 295 145	-	(47 238)	-	2 795 406	75 043 313	30 959 355	1 739 958	-	(12 021)	32 687 292	42 356 022
Work in progress	126 724 049	33 316 413	-	-	(27 402 856)	132 637 606	-	-	-	-	-	132 637 606
Leased Assets	943 149	-	(32 175)	-	-	910 974	283 676	217 118		(21 522)	479 272	431 702
Office Equipment	943 149	-	(32 175)	-	-	910 974	283 676	217 118	-	(21 522)	479 272	431 702
Community Assets	53 243 439	8 046 295	-	-	-	61 289 734	2 495 574	386 805	-	-	2 882 379	58 407 355
Recreational Facilities	38 018 306	5 645 246	-	-	5 275 896	48 939 449	2 247 296	321 245	-	-	2 568 541	46 370 908
Parks & Gardens	580 618	29 500	-	-	-	610 118	4 709	2 374	-	-	7 084	603 034
Community Halls	1 650 927	-	-	-	-	1 650 927	20 425	6 757	-	-	27 181	1 623 746
Libraries	5 261 034	2 371 549	-	-	-	7 632 583	173 569	44 542	-	-	218 111	7 414 472
Cemeteries	665 793	-	-	-	-	665 793	10 715	6 332	-	-	17 047	648 745
Museums and Art Galleries	655 500	-	-	-	-	655 500	38 859	5 555	-	-	44 415	611 085
Work in progress	6 411 260	-	-	-	(5 275 896)	1 135 364	-	-	-	-	-	1 135 364
Other Assets	25 338 815	2 345 199	(1 384 827)	-	-	26 299 187	9 443 702	1 803 424	-	(641 772)	10 605 354	15 693 833
Computer Equipment	1 794 777	265 753	(250 639)	-	-	1 809 891	896 524	206 061	-	(158 278)	944 308	865 583
Motor Vehicles	12 015 519	1 227 505	(842 483)	-	-	12 400 541	3 939 590	735 241	-	(314 255)	4 360 576	8 039 965
Office Equipment	4 822 742	325 855	(125 147)	-	-	5 023 451	2 069 756	360 241	-	(71 566)	2 358 431	2 665 019
Plant & Equipment	5 283 042	526 086	(166 559)	-	-	5 642 569	2 009 499	426 298	-	(97 674)	2 338 123	3 304 446
Specialised Vehicles	1 422 735	-	-	-	-	1 422 735	528 333	75 582	-	-	603 915	818 820
	699 055 953	44 252 983	(3 811 664)	-	-	739 497 272	240 654 602	15 771 649	(111 325)	(1 374 477)	254 940 449	484 556 823

CEDERBERG LOCAL MUNICIPALITY

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INTANGIBLE ASSETS

Intangible Assets - Carrying Value

354 433

148 674

The carrying value of intangible Assets is reconciled as follows:

Opening Carrying Value

148 674

206 327

Cost

396 159

408 028

Work in Progress

-

-

Accumulated Depreciation

(247 485)

(201 701)

Additions

116 141

7 495

Additions - Work in Progress

140 400

-

Amortisation

(50 260)

(49 859)

Disposal

(522)

(15 289)

Cost

(1 305)

(19 364)

Accumulated Depreciation

783

4 075

Closing Carrying Value

354 433

148 674

Cost

510 995

396 159

Work in Progress

140 400

-

Accumulated Depreciation

(296 962)

(247 485)

Work in progress is included in the carrying value of Intangible Assets. No amortisation is recognised against these amounts. The work in progress balance relates to the Phoenix (Vesta) Financial System in process of being implemented at the Municipality.

Intangible Assets consist only out of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

11

LONG-TERM LIABILITIES

Annuity Loans

20 105 233

22 355 966

Finance Lease Liabilities

1 946 353

298 345

Sub-Total

22 051 586

22 654 311

Less: Current portion of Long-term Liabilities

3 039 169

2 480 523

Annuity Loans

2 495 702

2 248 455

Finance Lease Liabilities

543 467

232 068

Total

19 012 417

20 173 788

Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

Institution and loan number	Rate	Maturity Date	Carrying Value of Liability	
ABSA (038-723-0991)	9.84%	30 Sep 2018	820 335	1 306 469
ABSA (038-723-0992)	9.84%	1 April 2025	2 609 204	2 814 802
ABSA (038-723-0993)	10.43%	17 June 2025	4 368 208	4 701 136
ABSA (038-723-0994)	10.45%	17 Nov 2025	1 830 218	1 957 472
ABSA (038-723-0995)	10.45%	17 Aug 2028	1 891 477	2 000 000
Standard Bank (03-263-793-4)	10.36%	31 Mar 2023	8 585 791	9 576 087
Total			20 105 233	22 355 966

All annuity loans are unsecured.

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11 LONG-TERM LIABILITIES (CONTINUED)

Annuity Loans

Annuity loans are payable as follows:

Payable within one year	4 546 228	4 513 824
Payable within two to five years	16 071 695	16 674 832
Payable after five years	8 425 064	12 368 154
Total amount payable	29 042 986	33 556 810
Less: Outstanding Future Finance Charges	(8 937 753)	(11 200 845)
Present value of annuity loans	20 105 233	22 355 966

Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Description	Maturity Date	Carrying Value of Liability	
Printers Xerox WC 7835	31 Jan 2017	-	36 809
Printers Xerox WC 5855	31 Jan 2017	-	11 916
Printers Xerox WC 533ST	31 Jan 2017	-	8 452
Printers Xerox CQ 9303	31 Jan 2017	-	35 709
Printers MPC2003SP	30 Nov 2017	51 869	160 799
Printers MP2501SP	30 Nov 2017	14 408	44 660
Printers D3Q20B	31 Dec 2019	46 176	-
Printers MPC305SPF	31 Dec 2019	50 056	-
Printers MPC2004SP	30 Apr 2020	188 515	-
Printers MPC8003SP	30 Apr 2020	181 213	-
ISUZU KB 250c Fleetside Regular CAB (3 vehicles)	31 Jul 2022	1 029 054	-
Chevrolet Utility 1.4 + A/C (M18) (3 Vehicles)	31 Jul 2022	385 062	-
Total		1 946 353	298 345

Finance Leases Liabilities are secured by Property, Plant and Equipment - refer to note 9.

Leased assets remain the property of the lessor after maturity and new lease contracts are negotiated to replace lapsed contracts.

Finance Lease Liabilities are payable as follows:

Payable within one year	745 146	260 432
Payable within two to five years	1 688 525	68 395
Payable after five years	-	-
Total amount payable	2 433 671	328 827
Less: Outstanding Future Finance Charges	(487 318)	(30 482)
Present value of finance lease liabilities	1 946 353	298 345

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

<i>Figures in Rand</i>		2017	2016
12	CONSUMER DEPOSITS		
	Water and Electricity Deposits	1 812 782	1 662 487
	The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
13	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	29 244 734	40 800 082
	Retentions	3 812 986	5 727 993
	Payments received in advance	2 054 561	1 611 275
	Pre-paid Electricity	483 099	448 467
	Sundry Creditors	3 843 843	3 392 134
	Sundry Deposits	171 544	362 761
	Accrued Interest	335 240	384 136
	Unknown Receipts	22 275	94 909
	Total	39 968 282	52 821 757
	As previously reported		53 559 597
	Correction of error restatement - note 39.4		(737 840)
	Restated balance		52 821 757
	Payables are being recognised net of any discounts received.		
	The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary		
	The carrying value of trade and other payables approximates its fair value.		
	Sundry deposits include hall, builders and housing Deposits.		
	Deposits amounting to R3 146 720 serve as security for Payables. The remainder of Payables are unsecured.		
14	UNSPENT CONDITIONAL GOVERNMENT GRANTS		
	National Government	18 406 836	1 224 044
	Provincial Government	13 908 158	1 190 292
	Total	32 314 994	2 414 336
	Detail reconciliations of all grants received and grant conditions met are included in note 20. Unspent grant balances are recognised to the extent that conditions are not yet met.		
	No grants were withheld in the current year.		
	Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.		

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CURRENT EMPLOYEE BENEFITS

	2017	2016
Bonuses	2 176 198	2 062 848
Staff Leave	4 360 462	4 288 257
Performance Bonuses	103 721	-
Current portion of Non-Current Employee Benefits - note 16	1 045 583	950 491
Post Retirement Medical Benefits	689 176	593 412
Long Service Awards	356 407	357 079
Total	7 685 965	7 301 596

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	2 062 848	2 003 371
Contribution during the year	3 607 539	3 636 226
Payments made	(3 494 189)	(3 576 749)
Balance at the end of the year	2 176 198	2 062 848

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Staff Leave

Opening Balance	4 288 257	4 184 799
Contribution during the year	612 372	457 693
Payments made	(540 166)	(354 235)
Balance at the end of the year	4 360 462	4 288 257

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Performance Bonuses

Opening Balance	-	-
Contribution during the year	432 706	-
Payments made	(328 985)	-
Balance at the end of the year	103 721	-

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council.

16

EMPLOYEE BENEFITS

Post Retirement Medical Benefits	25 707 942	25 062 356
Long Service Awards	3 304 955	3 312 522
Sub-Total	29 012 897	28 374 878
Less: Current portion of Employee Benefits	1 045 583	950 491
Post Retirement Medical Benefits	689 176	593 412
Long Service Awards	356 407	357 079
Total	27 967 314	27 424 387

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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16 EMPLOYEE BENEFITS (CONTINUED)

16.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	25 062 356	24 331 989
Contribution during the year	4 207 376	4 093 518
Current Service Cost	1 861 126	1 925 280
Interest Cost	2 346 250	2 168 238
Payments made	(644 992)	(602 870)
Actuarial Loss/(Gain)	(2 916 798)	(2 760 281)
Total balance at year-end	25 707 942	25 062 356
Less: Current portion	(689 176)	(593 412)
Total	25 018 766	24 468 944

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members	121	116
In-service non-members	199	182
Continuation members	20	19
Total	340	317

The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:	In-Service Members R	In-Service non-Members R	Continuation Members R	Total unfunded Liability R
30 June 2017	14 144 824	3 467 924	8 095 194	25 707 942
30 June 2016	13 926 711	3 461 389	7 674 256	25 062 356
30 June 2015	13 348 423	3 161 645	7 821 921	24 331 989
30 June 2014	9 446 832	4 162 874	8 272 476	21 882 182
30 June 2013	6 913 999	3 590 225	6 828 729	17 332 953

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2017	(30 000)	-
30 June 2016	(743 000)	-
30 June 2015	397 000	-
30 June 2014	1 380 000	-
30 June 2013	(1 497 000)	-

The Municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

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16 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

i) Interest Rates

Discount rate	9.80%	9.47%
Health Care Cost Inflation Rate	8.08%	8.51%
Net Effective Discount Rate	1.59%	0.89%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, were used by the actuaries.

iii) Normal Retirement Age

It has been assumed that in-service members will retire at age 61, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Last Valuation

The last valuation was performed on 4 August 2017.

v) Actuarial Valuation Method

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

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (R)	Continuation members (R)	Total liability (R)	% change
Liability	17 612 748	8 095 194	25 707 942	
Health care inflation (+ 1%)	19 301 000	8 449 000	27 750 000	8%
Health care inflation (- 1%)	15 596 000	7 697 000	23 293 000	-9%
Discount rate (+ 1%)	14 819 000	7 449 000	22 268 000	-13%
Discount rate (- 1%)	21 179 000	8 846 000	30 025 000	17%
Post-retirement mortality (- 1 year)	18 080 000	8 379 000	26 459 000	3%
Average retirement age (- 1 year)	18 517 000	8 095 000	26 612 000	4%
Continuation of membership after retirement (- 10%)	15 107 000	8 095 000	23 202 000	-10%

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (R)	Interest Cost (R)	Total Cost (R)	% change
Estimated for 2016/17	2 070 900	2 485 200	4 556 100	
Health care inflation (+ 1%)	2 286 300	2 685 000	4 971 300	9%
Health care inflation (- 1%)	1 813 100	2 248 800	4 061 900	-11%
Discount rate (+ 1%)	1 740 400	2 367 600	4 108 000	-10%
Discount rate (- 1%)	2 493 400	2 611 000	5 104 400	12%
Post-retirement mortality (- 1 year)	2 126 200	2 558 700	4 684 900	3%
Average retirement age (- 1 year)	1 957 700	2 573 700	4 531 400	-1%
Continuation of membership after retirement (- 10%)	1 738 100	2 239 700	3 977 800	-13%

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16 EMPLOYEE BENEFITS (CONTINUED)

16.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	3 312 522	3 079 891
Contribution during the year	595 234	563 744
Current Service Cost	324 969	318 173
Interest Cost	270 265	245 571
Payments made	(260 355)	(152 202)
Actuarial Loss/(Gain)	(342 446)	(178 911)
Total balance at year-end	3 304 955	3 312 522
Less: Current portion	(356 407)	(357 079)
Total	2 948 548	2 955 443

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards	320	298
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The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:

Unfunded Liability
R

30 June 2017	3 304 955
30 June 2016	3 312 522
30 June 2015	3 079 891
30 June 2014	2 723 873
30 June 2013	2 463 785

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2017	(59 844)	-
30 June 2016	(80 347)	-
30 June 2015	169 257	-
30 June 2014	86 455	-
30 June 2013	23 087	-

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16 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

i) Interest Rates

Discount rate	8.61%	8.51%
General Salary Inflation (long-term)	7.27%	6.33%
Net Effective Discount Rate applied to salary-related Long Service Awards	1.26%	2.05%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Last Valuation

The last valuation was performed on 4 August 2017.

iii) Actuarial Valuation Method

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

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Current Liability (R)	Liability (R)	% Change
General salary inflation (+ 1%)	3 304 955	3 532 000	7%
General salary inflation (- 1%)	3 304 955	3 100 000	-6%
Discount rate (+ 1%)	3 304 955	3 091 000	-6%
Discount rate (- 1%)	3 304 955	3 546 000	7%
Average retirement age (- 2 years)	3 304 955	2 760 000	-16%
Average retirement age (+ 2 years)	3 304 955	3 758 000	14%
Withdrawal rates (- 50%)	3 304 955	4 034 000	22%

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total(R)	% Change
Estimated for 2016/17	318 900	266 300	585 200	
General salary inflation (+ 1%)	346 400	285 600	632 000	8%
General salary inflation (- 1%)	294 400	248 800	543 200	7%
Discount rate (+ 1%)	296 400	277 300	573 700	-2%
Discount rate (- 1%)	344 700	253 000	597 700	3%
Average retirement age (- 2 years)	272 400	219 900	492 300	-15%
Average retirement age (+ 2 years)	360 700	303 000	663 700	14%
Withdrawal rates (- 50%)	427 100	328 300	755 400	29%

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16 EMPLOYEE BENEFITS (CONTINUED)

16.3 Other Pension Benefits

Defined Benefit Plans

Council contributes to the following defined benefit plans:

LA Retirement Fund (Former Cape Joint Pension Fund)	78 094	83 907
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The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 106.1% (30 June 2015 - 102.4%).

Consolidated Retirement Fund (Former Cape Retirement Fund)	6 148 623	5 678 480
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The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100.6% (30 June 2015 - 100.4%).

Total	6 226 717	5 762 387
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Both the LA Retirement Fund and Consolidated Retirement Fund are multi-employer plans. Multiple local authorities participate in these multi-employer funds. Multi-employer plans are defined as defined benefit plans. When sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund and Consolidated Retirement Fund are Multi-employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan due to sufficient information not being available.

Defined Contribution Plans

Council contributes to the following defined contribution plans:

National Funds for Municipal Workers	565 519	436 019
SAMWU National Provident Fund	1 008 472	1 009 430
Municipal Councillors Pension Fund	437 382	371 567

Total	2 011 373	1 817 015
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The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

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NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

42 614 204

40 044 861

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance

40 044 861

38 339 985

Contribution during the year

2 569 343

1 704 876

Increase/(Decrease) in estimate

(33 573)

(570 838)

Interest Cost

2 602 916

2 275 714

Total

42 614 204

40 044 861

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the landfill sites at the end of its useful life. The total obligation at year-end can be attributed to the following sites:

Location	Site Dimensions	Estimated Decommission Date	Cost of Rehabilitation	Cost of Rehabilitation
Clanwilliam	24 725m ²	2024	11 838 905	11 123 008
Lambert's Bay	19 341m ²	2024	10 841 133	10 188 275
Citrusdal	28 500m ²	2024	13 832 254	12 994 655
Graafwater	3 000m ²	2024	2 846 923	2 678 191
Elands Bay	3 300m ²	2024	3 254 989	3 060 732
Total			42 614 204	40 044 861

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated Decommission Date	Cost of Rehabilitation	Cost of Rehabilitation
Clanwilliam	2024	18 397 500	18 408 531
Lambert's Bay	2024	16 846 974	16 861 551
Citrusdal	2024	21 495 137	21 506 097
Graafwater	2024	4 424 079	4 432 394
Elands Bay	2024	5 058 209	5 065 498
Total		66 221 900	66 274 071

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	2017	2016
18 PROPERTY RATES		
Rateable Land and Buildings	60 664 765	49 371 560
Less: Rebates	(22 356 577)	(18 042 212)
Total	38 308 187	31 329 349
As previously reported		31 447 461
Correction of error restatement - note 39.2		(118 113)
Restated balance		31 329 349
Property rate levied are based on the following rateable valuations:		
Residential	2 282 725 000	2 232 343 888
Business and Agricultural	3 165 429 614	1 913 965 978
State-owned	466 017 900	96 865 700
Total Valuation	5 914 172 514	4 243 175 566
Rate that is applicable to the valuations above:		
Residential	1.083c/R	1.223c/R
Business and Agricultural	1.401c/R	1.240c/R
State-owned	1.401c/R	1.252c/R
<p>Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to include changes in property values and subdivisions.</p> <p>The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.</p> <p>Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.</p> <p>Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.</p>		
19 OTHER TAXES		
Refuse Removal Infrastructure Levy	1 622 196	1 546 560
Sanitation Infrastructure Levy	1 621 478	1 024 054
Water Infrastructure Levy	6 984 906	6 731 684
Total	10 228 580	9 302 298
<p>The infrastructure levy is a fixed levy on residential and commercial property. This levy is used for maintaining and extending infrastructure.</p>		

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GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants - National Government

Equitable Share

37 173 000

34 234 611

37 173 000

34 234 611

Conditional Grants - National Government

27 761 208

44 041 666

Municipal Infrastructure Grant (MIG)

16 702 822

15 280 000

Municipal Systems Improvement Grant (MSIG)

-

930 000

Financial Management Grant (FMG)

1 475 000

1 450 000

Integrated National Electrification Programme (INEP)

3 000 000

3 000 000

Expanded Public Works Program (EPWP)

1 000 000

1 007 000

Regional Bulk Infrastructure Grant (RBIG)

4 383 429

19 614 366

Other National Allocations

1 199 957

2 760 299

Conditional Grants - Provincial Government

12 949 220

35 307 202

Human Settlement Development Grant

1 853 998

336 185

Library Services MRF

3 660 000

3 490 905

Marine Living Resources Fund

2 825 000

26 472 238

Financial Management Support Grant

1 120 380

826 101

Acceleration of Housing Delivery

917 769

Other Provincial Allocations

2 572 073

4 181 773

Total

77 883 428

113 583 479

Disclosed as:

Government Grants and Subsidies - Operating

50 308 265

71 338 081

Government Grants and Subsidies - Capital

27 575 163

42 245 398

Total

77 883 428

113 583 479

Grants per Vote (MFMA Sec 123 (c)):

Equitable share

37 173 000

34 234 611

Office of the Municipal Manager

537 924

525 000

Financial Services

2 595 380

2 118 503

Community Development Services

9 541 102

34 188 912

Corporate and Strategic Services

28 162

973 686

Engineering and Planning Services

28 007 860

41 542 767

Total

77 883 428

113 583 479

The movements per grant can be summarised as follows:

20.01 Equitable Share

Opening Unspent Balance

-

-

Grants Received

37 173 000

34 234 611

Transferred to Revenue - Operating

(37 173 000)

(34 234 611)

Transferred to Revenue - Capital

-

-

Other Movements

-

-

Closing Unspent Balance

-

-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

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20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

20.02 Financial Management Grant (FMG)

Opening Unspent Balance	-	-
Grants Received	1 475 000	1 450 000
Transferred to Revenue - Operating	(1 475 000)	(1 450 000)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management

20.03 Municipal Systems Improvement Grant (MSIG)

Opening Unspent Balance	-	-
Grants Received	-	930 000
Transferred to Revenue - Operating	-	(794 657)
Transferred to Revenue - Capital	-	(135 343)
Other Movements	-	-
Closing Unspent Balance	-	-

The MSIG is a conditional grant used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems.

20.04 Municipal Infrastructure Grant (MIG)

Opening Unspent Balance	-	-
Grants Received	22 631 000	15 280 000
Transferred to Revenue - Operating	(717 600)	(1 143 970)
Transferred to Revenue - Capital	(15 985 222)	(14 136 030)
Other Movements	-	-
Closing Unspent Balance	5 928 178	-

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

20.05 Human Settlement Development Grant

Opening Unspent Balance	19 412	-
Grants Received	1 839 412	393 963
Transferred to Revenue - Operating	(1 602 363)	(336 185)
Transferred to Revenue - Capital	(251 635)	-
Other Movements	-	(38 366)
Closing Unspent Balance	4 826	19 412

Housing grants was utilised for the development of erven and the erection of top structures.

20.06 Integrated National Electrification Programme (INEP)

Opening Unspent Balance	-	11 611
Grants Received	3 000 000	2 988 389
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	(3 000 000)	(3 000 000)
Other Movements	-	-
Closing Unspent Balance	-	-

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

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20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

20.07 Expanded Public Works Program (EPWP)

Opening Unspent Balance	-	-
Grants Received	1 000 000	1 007 000
Transferred to Revenue - Operating	(1 000 000)	(1 007 000)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

20.08 Regional Bulk Infrastructure Grant (RBIG)

Opening Unspent Balance	-	-
Grants received	16 838 000	20 000 000
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	(4 383 429)	(19 614 366)
Other Movements	-	(385 634)
Closing Unspent Balance	12 454 571	-

The Regional Bulk Infrastructure Grant is used for the upgrade water infrastructure.

20.09 Other National Allocations

Opening Unspent Balance	1 224 044	903 437
Grants received	-	3 080 906
Transferred to Revenue - Operating	-	(80 906)
Transferred to Revenue - Capital	(1 199 957)	(2 679 393)
Other Movements	-	-
Closing Unspent Balance	24 087	1 224 044

Other National Allocations include grants such as:

- Department of Rural Affairs National
- Neighbourhood Development Partnership
- WSOG - ACIP
- WSOG - O&M

20.10 Library Services MRF

Opening Unspent Balance	-	14 905
Grants Received	3 660 000	3 476 000
Transferred to Revenue - Operating	(3 647 401)	(3 470 639)
Transferred to Revenue - Capital	(12 599)	(20 266)
Other Movements	-	-
Closing Unspent Balance	-	-

The Library Services (Municipal Replacement Fund) Grant is used to pay the salaries of library staff.

20.11 Marine Living Resources Fund

Opening Unspent Balance	-	-
Grants Received	2 825 000	26 472 238
Transferred to Revenue - Operating	(2 825 000)	(26 472 238)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

Marine Living Resource Fund is used for the Elands Bay fishing infrastructure implementation plan.

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20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

20.12 Financial Management Support Grant

Opening Unspent Balance	1 079 892	593 493
Grants Received	40 488	1 312 500
Transferred to Revenue - Operating	(1 120 380)	(826 101)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	1 079 892

The Financial Management Grant is paid by Provincial Treasury to municipalities to help implement revenue enhancement.

20.13 Acceleration of Housing Delivery

Opening Unspent Balance	-	-
Grants Received	13 315 000	-
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	(917 769)	-
Other Movements	-	-
Closing Unspent Balance	12 397 231	-

Housing delivery grant was utilised for the construction of infrastructure for housing projects.

20.13 Other Provincial Allocations

Opening Unspent Balance	90 988	977 582
Grants Received	3 987 186	3 409 000
Transferred to Revenue - Operating	(747 520)	(1 521 773)
Transferred to Revenue - Capital	(1 824 552)	(2 660 000)
Other Movements	-	(113 821)
Closing Unspent Balance	1 506 102	90 988

Other National Allocations include grants such as:

- Spacial Development Framework
- CDW Support
- Housing Consumer Education
- Road Maintenance
- Development of Sport and Recreational Facilities
- Municipal Drought Support Grant
- IDP Grant
- Municipal Infrastructure Support Grant
- Municipal Capacity Building Grant

20.14 Total Grants

Opening Unspent Balance	2 414 335	2 501 028
Grants Received	107 784 086	114 034 607
Transferred to Revenue - Operating	(50 308 265)	(71 338 080)
Transferred to Revenue - Capital	(27 575 163)	(42 245 398)
Other Movements	-	(537 821)
Closing Unspent Balance	32 314 993	2 414 335

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21	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Mayoral Golf Day	-	12 500
	Other donations	17 203	-
	Total	17 203	12 500
	Individuals and suppliers made cash contributions towards the mayoral golf day.		
22	FINES		
	Traffic Fines	21 153 677	8 664 649
	Library Fines	14 449	15 419
	Meter tampering fines	10 309	9 312
	Total	21 178 435	8 689 380
	In terms of the requirements of GRAP 23 and IGRAP 1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.		
23	ACTUARIAL GAINS		
	Post Retirement Medical Benefits	2 916 798	2 760 281
	Long Service Awards	342 446	178 911
	Total	3 259 244	2 939 192
24	REVERSAL OF IMPAIRMENTS		
	Property, Plant and Equipment	46 034	111 325
	The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.		
25	SERVICE CHARGES		
	Electricity	78 037 064	69 771 866
	Water	18 212 776	16 699 532
	Refuse Removal	5 988 524	5 583 926
	Sewerage and Sanitation	10 538 972	10 088 001
	Total Revenue	112 777 337	102 143 325
	Less: Rebates	(4 676 344)	(4 325 114)
	Electricity	(168 004)	(18 598)
	Water	(780 612)	(783 386)
	Refuse Removal	(379 684)	(378 720)
	Sewerage and Sanitation	(3 348 044)	(3 144 410)
	Total	108 100 993	97 818 211
	As previously reported		97 875 660
	Correction of error restatement - note 39.1		(57 449)
	Restated balance		97 818 211
	Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		

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26	RENTAL OF FACILITIES AND EQUIPMENT		
	Resort and camping fees	3 248 690	2 638 378
	Other rentals	506 392	613 885
	Total	3 755 082	3 252 262
	Other rentals include the rental of halls, sports facilities, hawkers stands, buildings, slipways and other diverse items.		
27	INTEREST EARNED - OUTSTANDING DEBTORS		
	Service Charges	1 595 455	2 238 026
	Property Rates	1 365 540	1 301 433
	Total	2 960 994	3 539 459
	As previously reported		3 672 845
	Correction of error restatement - note 39.1		(47 579)
	Correction of error restatement - note 39.2		(85 807)
	Restated balance		3 539 459
28	LICENCES AND PERMITS		
	Drivers Licence Applications	254 318	204 211
	Drivers Licences Issued	269 695	248 372
	Duplicate Registration Certificates	43 857	49 500
	Keeping of Registration Number	55 427	13 544
	Learner Licence Applications	91 966	93 645
	Learner Licences Issued	25 798	23 220
	Professional Drivers Permit Applications	61 809	59 347
	Professional Drivers Permits Issued	28 894	25 814
	Roadworthy Certificate Applications	217 631	209 709
	Roadworthy Certificates Issued	44 955	43 337
	Temporary and special permits	23 598	16 794
	Total	1 117 949	987 493
29	OTHER INCOME		
	Building Plan Fees	1 001 563	612 995
	Cemetery Fees	127 110	87 065
	Commission Received	37 215	36 043
	Connection Fees	235 338	189 258
	Copies and Faxes	29 630	23 109
	Infrastructure contributions for developments	307 527	173 813
	Prescribed Debt	428 635	735 795
	Rates clearance certificates	25 139	32 865
	Re-connection Fees	9 141	9 665
	Recoveries	80 032	1 059 952
	SETA Recoveries	167 989	126 973
	Settlement Discounts	75 564	98 886
	Tender Documents	80 580	66 322
	Valuation Certificates	18 882	21 698
	Sundry Income	101 598	209 577
	Total	2 725 943	3 484 015
	Sundry income represents sundry income such as sale of sundry items (wood, sand and stones) and fees for items not included under service charges		

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EMPLOYEE RELATED COSTS

	2017	2016
Basic Salaries and Wages	51 192 118	46 798 686
Pension and UIF Contributions	8 278 761	7 667 445
Medical Aid Contributions	2 979 725	2 709 645
Overtime	3 651 247	3 249 747
Motor Vehicle Allowance	4 306 248	4 026 163
Cellphone Allowance	317 881	-
Housing Allowances	867 289	861 836
Other benefits and allowances	4 477 233	4 165 731
Bargaining Council Levy	29 007	26 376
Group Life Insurance	993 717	918 943
Scares Skill Allowance	699 848	270 785
Skills Development Levy	644 170	611 648
Standby Allowance	2 110 492	2 337 980
Contributions to Employee Benefits	6 838 712	6 337 372
Bonuses	3 607 539	3 636 226
Staff Leave	612 372	457 693
Performance Bonus	432 706	-
Long Service Awards	324 969	318 173
Post Retirement Medical Benefits	1 861 126	1 925 280
Workmen's Compensation	435 063	408 601
Severance Packages	-	2 004 715
Total	83 344 277	78 229 940

Remuneration of Management Personnel

The Municipal Manager and Directors are appointed on a 5-year fixed contract.

Municipal Manager - GF Matthyse (appointed January 2016)

Annual Remuneration	708 898	513 876
Performance Bonus / 13th Cheque	66 000	-
Car Allowance	461 347	330 000
Cellphone Allowance	30 000	-
Rural Allowance	76 227	-
Leave Payout	70 998	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	19 808	19 886
Total	1 433 277	863 762

Municipal Manager - I.B.R Kenned (terminated July 2015)

Annual Remuneration	-	92 894
Performance Bonus / 13th Cheque	-	-
Car Allowance	-	10 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	17 191
Severance Package	-	1 884 715
Total	-	2 004 799

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30 EMPLOYEE RELATED COSTS (CONTINUED)

Director: Engineering Services - P Majeni

Annual Remuneration	710 335	654 725
Performance Bonus / 13th Cheque	82 272	80 446
Car Allowance	116 650	120 780
Housing Allowance	72 000	72 000
Cellphone Allowance	12 000	2 700
Rural Allowance	12 080	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	136 020	128 263
Total	1 141 356	1 058 915

Director: Community Services - J France

Annual Remuneration	465 762	716 403
Performance Bonus / 13th Cheque	82 272	80 446
Car Allowance	70 000	120 000
Cellphone Allowance	6 300	2 700
Acting Allowance	24 154	-
Leave Payout	116 144	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	89 202	139 210
Total	853 834	1 058 759

Director: Community Services - R Bent

Annual Remuneration	42 810	-
Car Allowance	15 000	-
Cellphone Allowance	1 500	-
Rural Allowance	5 445	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	11 018	-
Total	75 773	-

Director: Finance - E Alfred

Annual Remuneration	586 692	504 000
Performance Bonus / 13th Cheque	82 272	80 446
Car Allowance	181 113	196 420
Housing Allowance	120 991	145 190
Acting Allowance	-	114 722
Cellphone Allowance	12 000	2 700
Rural Allowance	12 089	-
Leave Payout	82 714	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	148 293	128 699
Total	1 226 164	1 172 177

Director: Corporate Services - A McCullum

Annual Remuneration	139 171	-
Car Allowance	36 756	-
Cellphone Allowance	4 500	-
Rural Allowance	16 336	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	30 556	-
Total	227 319	-

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	2017	2016
31 REMUNERATION OF COUNCILLORS		
Executive Mayor	796 926	709 888
Deputy Mayor	602 599	576 136
Speaker	633 807	587 956
Mayoral Committee Members	1 172 142	1 255 108
Councillors	1 571 032	1 198 741
Total	4 776 507	4 327 829

The positions of Executive Mayor, Deputy Mayor and Speaker were filled as follow:

- Executive Mayor
 - J. Barnard (20 August 2016 to date)
 - JJ Muller (16 July 2015 to 14 July 2016)
 - L Scheepers (20 August 2013 to 16 July 2015)
- Deputy Mayor
 - BF. Zass (20 August 2016 to date)
 - C September (20 August 2013 - 9 August 2016)
- Speaker
 - WJ. Farmer (20 August 2016 to date)
 - D Smith (16 July 2015 - 9 August 2016)
 - JJ Muller (1 July 2015 - 15 July 2015)

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee member serve in a full-time capacity. They are provided with secretarial support and an office each at the cost of the Council.

Councillors may utilize municipal transportation when engaged in official duties

32 DEBT IMPAIRMENT		
Receivables from Exchange Transactions	14 530 389	14 358 034
Receivables from Non-Exchange Transactions	18 680 219	5 636 895
Total Debt Impairment	33 210 608	19 994 928
Movement in VAT included in debt impairment	(883 669)	(349 388)
Total	32 326 939	19 645 540

33 DEPRECIATION AND AMORTISATION		
Investment Property	55 595	54 689
Property, Plant and Equipment	15 938 740	15 771 649
Intangible Assets	50 260	49 859
Total	16 044 595	15 876 197
As previously reported		15 823 046
Correction of error restatement - note 39.3		53 151
Restated balance		15 876 197

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	2017	2016
34 REPAIRS AND MAINTENANCE		
Property, Plant and Equipment	-	-
Total	-	-
As previously reported		6 625 820
Reclassification - note 40.1		(6 625 820)
Restated balance		-
35 FINANCE CHARGES		
Cash	2 667 797	5 278 468
Eskom Holdings Limited	37 222	2 559 011
Long-term Liabilities	2 294 126	2 292 549
Other	336 449	426 908
Non-cash	5 219 431	4 689 523
Post Retirement Medical Benefits	2 346 250	2 168 238
Long Service Awards	270 265	245 571
Rehabilitation of Landfill Sites	2 602 916	2 275 714
Total	7 887 228	9 967 992
The finance charges relating to Eskom are interest levied as per the payment arrangement entered into with Eskom for arrear accounts which were repaid during 2014/15 and 2015/16.		
36 BULK PURCHASES		
Electricity	66 736 629	62 722 298
Water	860 105	499 940
Total	67 596 734	63 222 238
As previously reported		63 190 741
Correction of error restatement - note 39.4		31 497
Restated balance		63 222 238

Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including DWA and a number of private suppliers.

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	2017	2016
37 OTHER EXPENDITURE		
Advertising	188 660	112 275
Asset Stocktake	1 840	33
Audit Fees	4 156 105	3 224 868
Bank Charges	745 798	872 393
Chemicals	327 759	328 447
Cleaning Materials	221 758	196 886
Commission paid	1 513 129	1 083 059
Connection Materials	510 828	127 809
Consulting and Professional Fees	9 823 825	31 105 524
Entertainment	116 441	121 091
Fine collections	1 324 939	422 303
Fuel and Oil	2 459 404	2 515 167
Insurance	750 278	613 146
Insurance claims	49 933	9 896
Legal Fees	1 009 886	3 308 898
Licences	182 914	154 050
Licences Software	1 857 077	1 542 400
Maintenance Materials	3 058 776	2 795 311
Maintenance Contracted Services	6 090 956	3 446 216
Membership Fees	859 550	784 576
Postal Fees	62 304	28 704
Printing and Stationary	1 286 895	1 266 719
Protective clothing	235 959	295 502
Rentals	1 093 735	915 917
Rural Development	32 200	269 318
Sample Tests	159 425	175 161
Security	2 277 398	2 540 678
Special Programmes	1 401 620	1 230 419
Telephone	1 758 718	2 144 428
Tourism	450 000	325 171
Training	222 466	259 292
Travelling and Subsistence	1 070 628	1 349 931
Valuations	481 643	936 015
Vehicle Licences	124 044	121 330
Other Expenditure	1 372 592	1 626 644
Total	47 279 482	66 249 578
As previously reported		59 492 827
Correction of error restatement - 39.4		130 930
Reclassification - note 40.1		6 625 820
Restated balance		66 249 578

Special Programmes include poverty relief programmes, celebration of national holidays, public participation, ward based community programmes and other projects funded from own revenue.

38 LOSS ON DISPOSAL OF NON-MONETARY ASSETS

Proceeds	640 725	412 779
Less: Carrying value of Property, Plant and Equipment disposed	(1 562 633)	(1 387 282)
Less: Carrying value of Intangible Assets disposed	(522)	(15 289)
Total	(922 430)	(989 792)

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39 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR

39.1 Receivables from Exchange Transactions

Corrections made to Receivables from Exchange Transactions include the following:

- Reversal of levies on faulty electricity and water meters.
- Availability fees were incorrectly levied on impermissible stands and erven.
- Where interest were charged on the principle debt which was reversed, that interest was also subsequently reversed.

The net effect of the above-mentioned errors were as follow:

- Receivables from Exchange Transactions - note 3	Overstated	(533 785)
- Taxes - note 5	Understated	37 733
- Service Charges - note 25	Overstated	(57 449)
- Interest Earned - outstanding debtors - 27	Overstated	(47 579)
- Accumulated Surplus - note 39.5	Overstated	(391 025)

39.2 Receivables from Non-Exchange Transactions

Corrections made to Receivables from Non-Exchange Transactions include the following:

- Property Rates were incorrectly levied on impermissible and/or expropriated stands and erven .
- Rebates were awarded to indigents, but the rates was not levied in the first place.
- Where interest were charged on the principle debt which was reversed, that interest was also subsequently reversed.
- Not all Eskom deposits and interest were account for amounting in an understatement of R2.8 million in deposits.

The net effect of the above-mentioned errors were as follow:

- Receivables from Non-Exchange Transactions - note 4	Understated	2 192 509
- Property Rates - note 18	Overstated	(118 113)
- Accumulated Surplus - note 39.5	Understated	2 396 428
- Interest Earned - outstanding debtors - 27	Overstated	(85 807)

39.3 Property, Plant and Equipment

Corrections made to Investment Property include the following:

- Assets with a zero book value which were still in use, were assessed and the remaining useful lives were adjusted accordingly.
- Other Assets (movable assets) previously not included in the asset register were identified during the current years asset verification.

The net effect of the above-mentioned errors were as follow:

- Property, Plant and Equipment - note 9	Understated	228 457
- Depreciation and Amortisation - note 33	Understated	53 151
- Accumulated Surplus - note 39.5	Understated	281 608

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39 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR (CONTINUED)

39.4 Payables from exchange transactions

Corrections made to Payables from Exchange Transactions include the following:

- Invoices amounting to R1.133 million were raised by a supplier. However, the Municipality was in disagreement with the invoices as the Municipality was of the opinion that these invoices were duplicated. Credit notes were subsequently issued by the supplier in this regard. The Municipality faulted by raising the initial invoices, which should not have been raised as no obligation existed.
- Invoices amounting to R463 948 were not accrued for as on 30 June 2016.
- In the prior year, a duplication on Bulk Purchases were reversed as a prior year error. However, the duplicated VAT portion was not reversed resulting in Bulk Purchases being understated.

The net effect of the above-mentioned errors were as follow:

- Taxes - note 5	Understated	162 534
- Payables from exchange transactions - note 13	Overstated	(737 840)
- Bulk Purchases - note 36	Understated	31 497
- Other Expenditure - note 37	Understated	130 930
- Accumulated Surplus - note 39.5	Understated	737 733

39.5 Accumulated Surplus

Receivables from Exchange Transactions - note 39.1	(391 025)
Receivables from Non-Exchange Transactions - note 39.2	2 396 428
Property, Plant and Equipment - note 39.3	281 608
Payables from exchange transactions - note 39.4	737 733
Total	<u><u>3 024 746</u></u>

40 PRIOR PERIOD ADJUSTMENTS - RECLASSIFICATION

40.1 Repairs and Maintenance

In the current year the Accounting Standards Board (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by it's nature. Accordingly all "Repairs and Maintenance" expenditure was reallocated to "Other Expenditure" and classified by their nature as follow:

Cleaning Materials	93 361
Maintenance Materials	2 795 311
Maintenance Contracted Services	3 443 732
Printing and Stationary	13 324
Rentals	280 092
Total	<u><u>6 625 820</u></u>

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41 NET CASH FROM OPERATING ACTIVITIES

	2017	2016
Net Surplus for the year	11 911 076	16 320 057
Adjusted for:		
Non-cash revenue included in Net Surplus	(3 670 810)	(3 031 052)
Contributed Assets	(361 702)	-
Actuarial Gains	(3 259 244)	(2 939 192)
Reversal of Impairments	(46 034)	(111 325)
Rental of Facilities and Equipment - decrease in operating lease asset	(3 829)	19 465
Non-cash expenditure included in Net Surplus	61 353 857	47 558 218
Employee Related Costs - Contributions towards	6 838 712	6 337 372
Post Retirement Medical Benefits	1 861 126	1 925 280
Long Service Awards	324 969	318 173
Bonuses	3 607 539	3 636 226
Staff Leave	612 372	457 693
Performance Bonuses	432 706	-
Debt Impairment	32 326 939	19 645 540
Depreciation and Amortisation	16 044 595	15 876 197
Finance Charges	5 219 431	4 689 523
Post Retirement Medical Benefits	2 346 250	2 168 238
Long Service Awards	270 265	245 571
Provision for Rehabilitation of Landfill-sites	2 602 916	2 275 714
Other Expenditure - decrease in operating lease liability	1 750	19 793
Loss on disposal of Non-Monetary Assets	922 430	989 792
Cash expenditure not included in Net Surplus	(5 268 687)	(4 686 056)
Post Retirement Medical Benefits	(644 992)	(602 870)
Long Service Awards	(260 355)	(152 202)
Bonuses	(3 494 189)	(3 576 749)
Staff Leave	(540 166)	(354 235)
Performance Bonus	(328 985)	-
Operating Surplus before changes in working capital	64 325 437	56 161 167
Movement in working capital	(16 449 617)	(16 806 483)
Receivables from Exchange Transactions	(13 378 578)	(14 264 118)
Receivables from Non-Exchange Transactions	(21 548 854)	(5 697 174)
Inventory	(56 908)	(364 388)
Long-term Receivables	-	1 020 145
Payables from exchange transactions	(12 853 475)	942 320
Unspent Conditional Government Grants	29 900 658	(86 692)
Unspent Public Contributions	-	(2 409)
Taxes	1 487 539	1 645 835
Cash Flow from Operating Activities	47 875 820	39 354 684

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42 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

Primary Bank Account	2 859 556	2 308 965
Call and Notice Deposits	19 433 004	173 836
Cash Floats	8 330	7 430
Total	22 300 890	2 490 231

Refer to note 2 for more details relating to cash and cash equivalents.

43 BUDGET COMPARISONS

43.1 Original vs Final Budget

Statement of Financial Position

Items in the State of Financial Position were adjusted to take into account adjustments made to the operating and capital budget and also to align balances with the actual audit outcomes of 2015/16.

In addition, both non-current assets and non-current liabilities were increased in anticipation of the Municipality entering into a finance lease for the purchase of utility vehicles.

Statement of Financial Performance - Revenue

Transfers Recognised (Operational) was adjusted as follow:

- Increase in allocation of R2.8 million for Marine Living Resources grant.
- Additional allocation of R1.7million for Municipal Capacity Building Grant.
- Additional allocation of R3.7 million for Human Settlement Development Grant.

Other Own Revenue was increased to take into account the recognition of Traffic Fines in terms of IGRAP 1 amounting to R27.4 million.

Transfers Recognised (Capital) was adusted as follow:

- Approval of roll over appliction for Water Subsidy Operating Grant amounting to R1.224 million.
- Additional allcoation of R13.3 million for Acceleration of Housing Delivery Grant (Citrusdal WWTW)
- Additional allcoation of R1.8 million for Municipal Drought Support Grant (Boreholes Algeria)

Statement of Financial Performance - Expenditure

Employee Related Costs were increased as a result of EPWP programmes (Acting of Fire and Law Enforcement). In addition, overtime and standby allowances were also increased to be in line with the actual outcome of 2015/16.

Debt Impairment was increased due to the implementation of IGRAP 1 relating to Traffic Fines of which the greater percentage of traffic fines issued are considered to be impaired. In addition, Debt Impairment relating to consumer debtors was also increased to be in line with the actual outcome of 2015/16.

Other Expenditure was increased to take into account grant expenditure relating the Transfers Recognised (Operational).

Cash Flow Statement

Net Cash Flow from Operating Activities was increased due to additional grant funding (both operational and capital).

Net Cash Flow from Investing Activities was increased to take into account additional capital expenditure resulting from grant funding, as well the Municipality entering into a finance lease for the purchase of utility vehicles.

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43 BUDGET COMPARISONS (CONTINUED)

43.2 Actual Amounts vs Final Budget

Statement of Financial Position

Current assets were less than budgeted for due to several grant funded projects which were not concluded at year-end, resulting in a higher bank balance.

Non-current assets were less than budgeted for as the incorrect opening balances of Property, Plant and Equipment was incorporated in the budget.

Current liabilities were more than budgeted for due to the following:

- *Payables from Exchange Transactions were more than anticipated due to cash flow constraints.*
- *Several grant funded projects has not been concluded at year-end, resulting in unspent government grants.*

Statement of Financial Performance - Revenue

Transfers recognised (operational) were less than budgeted due to grant funded projects which were not concluded at year-end.

Own Revenue were more than budgeted for due to the following:

- *Actual interest on rates included under Own Revenue, while being budgeted for under Property Rates.*
- *Fines issued, less any reductions and withdrawels, were less than anticipated.*

Transfers recognised (capital) was less than budget due to several grant funded projects which were not concluded at year-end.

Statement of Financial Performance - Expenditure

Employee Costs were more than budgeted for as Employee Related costs relating to grants were budgeted under Other Expenditure (Other Operating Grant Expenditure).

Debt Impairment was less than the budget due to less fines issued (after deducting reductions and withdrawels) than anticipated.

Other Expenditure was less than budget due to the following:

- *Employee Related Costs relating to grants was budgeted under Other Expenditure but reallocated for GRAP purposes to Employee Related Costs.*
- *General saving on Other Expenditure due to austerity measures.*

Cash Flow Statement

Net Cash Flow from Operating Activities was less than budgeted for due to less fines collected than anticipated.

Net Cash Flow from Investing Activities was less than budgeted for as not all projects were implemented.

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44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

44.1 Unauthorised Expenditure

Unauthorised expenditure can be reconciled as follow:

Opening balance	12 556 589	1 219 593
Unauthorised expenditure current year - operating	1 163 123	11 336 997
Unauthorised expenditure current year - capital	-	-
Approved by Council	(12 556 589)	-
Unauthorised expenditure awaiting further action	1 163 123	12 556 589

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Refer below for votes of which the expenditure was in excess of the approved budget:

	2017 (Actual) R	2017 (Final Budget) R	2017 (Variance) R	2017 (Unauthorised) R
Unauthorised expenditure - Operating				
Executive and Council	5 610 118	5 943 900	(333 782)	-
Office of the Municipal Manager	4 217 743	5 715 945	(1 498 202)	-
Financial Services	50 341 795	50 905 855	(564 060)	-
Community Development Services	52 652 852	61 613 179	(8 960 327)	-
Corporate and Strategic Services	19 075 638	20 571 913	(1 496 275)	-
Engineering and Planning Services	128 881 189	127 718 066	1 163 123	1 163 123
Total	260 779 335	272 468 858	(11 689 523)	1 163 123
Unauthorised expenditure - Capital				
Executive and Council	-	-	-	-
Office of the Municipal Manager	-	-	-	-
Financial Services	538 070	552 428	(14 358)	-
Community Development Services	838 747	1 008 842	(170 095)	-
Corporate and Strategic Services	749 064	795 000	(45 936)	-
Engineering and Planning Services	26 127 579	67 678 243	(41 550 664)	-
Total	28 253 461	70 034 513	(41 781 052)	-

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44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

44.2 Irregular Expenditure

Irregular expenditure can be reconciled as follow:

Opening balance	4 379 930	2 257 479
Irregular expenditure incurred - current year	-	2 122 451
Approved by Council	(4 379 930)	-
Irregular expenditure awaiting further action	-	4 379 930

Details of irregular expenditure incurred

(a) Non-compliance with Supply Chain Management Regulations	-	2 275 717
(b) Property sold for substantially less than market value	-	1 773 578
(c) Executive Mayor - fictitious travel claims	-	7 634
(d) Municipal Manager's remuneration package exceeding upper limits	-	323 001
Total	-	4 379 930

Disciplinary steps or criminal proceedings undertaken on above-mentioned irregular expenditure incurred:

- (a) Transactions to be forwarded to MPACC for further investigation
- (b) Recovery process is underway. Case number 43/05/2013 has been opened at SAPD.
- (c) Council took a decision on 14 July 2016 to recover the expenses. A debtor was raised in this regard and the case was also registered at the SAPD (case number CAS 15/8/2016).
- (d) This matter has been reverred to MPAC.

44.3 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure can be reconciled as follow:

Opening balance	256 409	256 409
Fruitless and wasteful expenditure incurred	-	-
Approved by Council	-	-
Fruitless and wasteful expenditure awaiting further action	256 409	256 409

Details of fruitless and wasteful expenditure incurred

(a) Electricity vendor did not pay electricity sales to Municipality	256 409	256 409
Total	256 409	256 409

Disciplinary steps or criminal proceedings undertaken on above-mentioned fruitless and wasteful expenditure incurred:

- (a) Matter has been reported to SAPD and case 156/01/2013 has been opened.

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45	MATERIAL LOSSES		
45.1	Water distribution losses		
	Kilo litres disinfected/purified/purchased	3 617 874	3 630 372
	Kilo litres sold and free basic services	(3 156 084)	(3 143 262)
	Kilo litres lost during distribution	461 790	487 110
	Percentage lost during distribution	12.76%	13.42%
	Normal pipe bursts and field leakages are responsible for water losses.		
45.2	Electricity distribution losses		
	Units purchased (Kwh)	64 526 113	64 529 446
	Units sold, free basic services and standard friction losses	(60 532 626)	(56 225 272)
	Units lost during distribution (Kwh)	3 993 487	8 304 174
	Percentage lost during distribution	6.19%	12.87%
	Electricity losses are due to electricity theft on pre-paid meters. Fines were issued for first time offenders.		
46	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
46.1	SALGA Contributions [MFMA 125 (1)(b)]		
	Opening balance	-	-
	Expenditure incurred	796 300	773 214
	Payments	(796 300)	(773 214)
	Payments in advance	-	-
46.2	Audit Fees [MFMA 125 (1)(c)]		
	Opening balance	512 637	-
	Expenditure incurred	3 810 562	3 280 319
	External Audit - Auditor-General	3 766 504	3 224 868
	Audit Committee	44 058	55 451
	Payments	(4 323 199)	(2 767 681)
	Outstanding Balance	-	512 637
46.3	VAT [MFMA 125 (1)(c)]		
	Opening balance	(1 089 695)	342 895
	Net amount claimed during the year	328 255	5 677 194
	Net amount received during the year	(995 334)	(7 109 784)
	Outstanding Balance Payable	(1 756 773)	(1 089 695)
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date throughout the year.		
46.4	PAYE, SDL and UIF [MFMA 125 (1)(c)]		
	Opening balance	848 755	770 982
	Payroll deductions and Council Contributions during the year	11 180 622	11 180 622
	Payments	(11 048 358)	(11 102 849)
	Outstanding Balance	981 020	848 755

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46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

46.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]

Opening balance	-	-
Payroll deductions and Council Contributions during the year	17 695 729	16 467 042
Payments made to pension and medical fund	(17 695 729)	(16 467 042)
Outstanding Balance	-	-

46.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]

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

J White	7 341	-
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46.7 Deviations from Supply Chain Management Regulations

Deviations from Supply Chain Management Regulations were identified on the following categories:

Section 36(1)(a)(i) - Emergencies	689 248	357 453
Section 36(1)(a)(ii) - Single provider	308 138	26 460
Section 36(1)(a)(iii) - Specialised services	-	-
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical so follow official procurement process	2 159 561	4 475 678
Total	3 156 947	4 859 591

Deviations from Supply Chain Management Regulations can be allocated as follow:

Office of the Municipal Manager	-	15 874
Financial Services	521 077	1 067 894
Corporate and Strategic Services	105 982	1 545 337
Community Development Services	219 195	58 657
Engineering and Planning Services	2 310 693	2 171 829
Total	3 156 947	4 859 591

All the deviations were ratified by the Municipal Manager and reported to Council.

46.8 Other Non-Compliance [MFMA 125(2)(e)]

(a) Payments not made within 30 days

Money owed by the Municipality was not always paid within 30 days, as required by section 65(2)(e) of the Municipal Finance Management Act.

47 CAPITAL COMMITMENTS

Approved and contracted for	18 956 431	30 051 448
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This expenditure will be financed from:

Government Grants	16 838 939	30 051 448
Own funding	2 117 493	-
Total	18 956 431	30 051 448

Capital Commitments are disclosed exclusive of Value Added Tax (VAT).

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48 FINANCIAL RISK MANAGEMENT

The Municipality is potentially exposed to the following risks:

48.1 Credit Risk

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

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	22 300 890	2 490 231
Receivables from exchange transactions	26 473 276	27 625 088
Total	48 774 167	30 115 319

Cash and Cash Equivalents

Deposits of the Municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

Electricity	2 955 249	2 603 678
Water	5 633 615	6 440 979
Refuse	2 113 969	2 418 004
Sewerage	2 556 585	2 833 952
Other	183 893	204 752
Total	13 443 311	14 501 365

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48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Currency risk (Market Risk)

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

The financial instruments of the Municipality is not directly exposed to any currency risk.

48.3 Interest rate risk (Market Risk)

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

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (excluding cash on hand)	22 292 560	2 482 801
Long-term Liabilities (including current portion)	(22 051 586)	(22 654 311)
Net balance exposed	240 974	(20 171 510)

Potential effect of changes in interest rates on surplus and deficit for the year:

1% (2016 - 1%) increase in interest rates	2 410	(201 715)
0% (2016 - 0%) decrease in interest rates	-	-

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

48.4 Liquidity risk

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

	Within 1 Year	Between 2 to 5 years	After 5 years	Total
30 JUNE 2017				
Annuity Loans	4 546 228	16 071 695	8 425 064	29 042 986
Finance Lease Liabilities	745 146	1 688 525		2 433 671
Payables from exchange transactions	37 430 623	-	-	37 430 623
Unspent Conditional Government Grants	32 314 994	-	-	32 314 994
Total	75 036 991	17 760 219	8 425 064	101 222 274
30 JUNE 2016				
Annuity Loans	4 513 824	16 674 832	12 368 154	33 556 810
Finance Lease Liabilities	260 432	68 395	-	328 827
Payables from exchange transactions	50 762 015	-	-	50 762 015
Unspent Conditional Government Grants	2 414 336	-	-	2 414 336
Total	57 950 608	16 743 227	12 368 154	87 061 989

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Other price risk (Market Risk)

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

The Municipality is not exposed to any other price risk.

49 FINANCIAL INSTRUMENTS

The Municipality recognised the following financial instruments at amortised cost:

Financial Assets

Cash and Cash Equivalents	22 300 890	2 490 231
Receivables from Exchange transactions	26 473 276	27 625 088
Total	48 774 167	30 115 319

Financial Liabilities

Current Portion of Long-term Liabilities	3 039 169	2 480 523
Payables from exchange transactions	37 430 623	50 762 015
Unspent Conditional Government Grants	32 314 994	2 414 336
Long-Term Liabilities	19 012 417	20 173 788
Total	91 797 203	75 830 662

50 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

Receivables from Non-Exchange Transactions	9 256 554	6 485 435
Rates	6 906 875	6 164 193
Fines	2 349 679	321 241
Total	18 513 107	12 970 869

The amounts above are disclosed after any provision for impairment has been taken into account.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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51	EVENTS AFTER REPORTING DATE		
	The Municipal Manager entered into a settlement agreement and vacated his post on 1 July 2017. At reporting date, Mr Louis Volschenk was the acting Municipal Manager.		
52	IN-KIND DONATIONS AND ASSISTANCE		
	The Municipality did not receive any in-kind donations or assistance during the year under review.		
53	PRIVATE PUBLIC PARTNERSHIPS (PPP's)		
	The Municipality did not enter into any PPP's in the current and prior year.		
54	CONTINGENT LIABILITIES		
	The Municipality were exposed to the following contingent liabilities at year end:		
54.1	Matter against Goedehoop Citrus by the Municipality	-	-
	Goedehoop Citrus mitigation recovery of R1 773 578 for shortfall for erven 1765 and 1766 which was sold for substantially less than market value. This case is still pending, and if ruled in favour of Goedehoop Citrus, will result in the Municipality to repay legal fees incurred by Goedehoop Citrus. At this stage the legal fees can not be determined.		
54.2	Matter against the Municipality by Jimmy Barnard	50 000	50 000
	This matter has been finalised but legal costs still have to be taxed or agreed. The legal costs for which the Municipality may be liable are estimated at R50 000.		
54.3	Matter against the Municipality by Mathilda Smith	15 000	15 000
	This applicant is claiming for damages amounting to R15 000. Since 2010, the applicant's attorneys has not taken any action on this matter. However, in 2015 she instructed her attorneys to continued with the matter.		
54.4	Matter against the Municipality by Siphokazi Sinxo (on behalf of her minor son, Lunje Sinxo)	1 400 000	1 400 000
	The applicant is claiming for damages amounting to R1 400 000 in total. These damages relate to an injury her son obtained on the property of the Municipality when an entrance gate became dislodged and fell on her son.		

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RELATED PARTIES

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

55.1 Related Party Loans

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

55.2 Compensation of management personnel

Remuneration of management personnel are disclosed in notes 30 and 31.

55.3 Other related party transactions

The following purchases were made during the year where Councillors, Management or Employees have an interest:

Company Name	Related Party	Service Capacity	Relationship	Amount	Amount
P J Sobekwa	J Sobekwa	Foreman	Brother	104 450	33 600
C Newman	SC Newman	Ward Assistant	Sister	-	70 538
HM Henderson	C Henderson	Senior Clerk Stores	Sister	105 623	171 978
Colc Civil Contraction	H Scheepers	Tractor Driver	Brother	-	4 760
Rural Impact	P V Blankenberg	Ward Assistant	Brother	29 950	-
Total				240 023	280 876

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FINANCIAL SUSTAINABILITY

In the current year a financial turn-around strategy was implemented as part of the long-term financial plan. The results of the said implantation were as follow:

- The current assets to liabilities ratio increased to 0.75:1 in comparison with 0.64:1 of the prior year.
- The average creditors' repayment days improved to 71 days in comparison with 80 days in the prior year.
- Outstanding trade payables as at year-end were R29 244 734, in comparison with R40 800 082 of the prior year.
- Despite a worsening economic conditions, the Municipality was able to maintain it's debtors collection ratio.

As cash shortfall of R11 757 666 as reported in note 2 is only of a temporary nature. After year-end the municipality was able to maintain positive cash balances of R46 538 680 which is more than sufficient address all outstanding statutory obligations.

In addition, harsh austerity measures has been implemented. The 2017/18 budget approved by Council is projecting a cash surplus of R15 796 501 over the MTREF period. The said austerity measures will have no negative impact on service delivery.

CEDERBERG LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2017

INSTITUTION	LOAN NUMBER	RATE	MATURITY DATE	OPENING BALANCE 1 JULY 2016	RECEIVED DURING YEAR	REDEEMED DURING YEAR	CLOSING BALANCE 30 JUNE 2017
<u>ANNUITY LOANS</u>							
ABSA	038-723-0991	9.84%	30 Sep 2018	1 306 469	-	(486 134)	820 335
ABSA	038-723-0992	9.84%	1 April 2025	2 814 802	-	(205 598)	2 609 204
ABSA	038-723-0993	10.43%	17 June 2025	4 701 136	-	(332 928)	4 368 208
ABSA	038-723-0994	10.45%	17 Nov 2025	1 957 472	-	(127 254)	1 830 218
ABSA	038-723-0995	10.45%	17 Aug 2028	2 000 000	-	(108 523)	1 891 477
Standard Bank	03-263-793-4	10.36%	31 Mar 2023	9 576 087	-	(990 296)	8 585 791
Total Annuity Loans				22 355 966	-	(2 250 733)	20 105 233
<u>FINANCE LEASE LIABILITIES - PRINTERS</u>							
Printers Xerox WC 7835			31 Jan 2017	36 809	-	(36 809)	-
Printers Xerox WC 5855			31 Jan 2017	11 916	-	(11 916)	-
Printers Xerox WC 533ST			31 Jan 2017	8 452	-	(8 452)	-
Printers Xerox CQ 9303			31 Jan 2017	35 709	-	(35 709)	-
Printers MPC2003SP			30 Nov 2017	160 799	-	(108 930)	51 869
Printers MP2501SP			30 Nov 2017	44 660	-	(30 253)	14 408
Printers D3Q20B			31 Dec 2019	-	53 000	(6 824)	46 176
Printers MPC305SPF			31 Dec 2019	-	57 440	(7 384)	50 056
Printers MPC2004SP			30 Apr 2020	-	197 500	(8 985)	188 515
Printers MPC8003SP			30 Apr 2020	-	189 500	(8 287)	181 213
Total Finance Lease Liabilites - Printers				298 345	497 440	(263 547)	532 237
<u>FINANCE LEASE LIABILITIES - VEHICLES</u>							
ISUZU KB 250c Fleetside Regular CAB (3 vehicles)			31 Jul 2022	-	1 029 054	-	1 029 054
Chevrolet Utility 1.4 + A/C (M18) (3 Vehicles)			31 Jul 2022	-	385 062	-	385 062
Total Finance Lease Liabilites - Vehicles				-	1 414 116	-	1 414 116
Total Long-Term Liabilities				22 654 311	1 911 556	(2 514 280)	22 051 586

CEDERBERG LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017

	OPENING BALANCE R	GRANTS RECEIVED / (REPAID) R	TRANSFERRED TO REVENUE (OPERATING) R	TRANSFERRED TO REVENUE (CAPITAL) R	OTHER MOVEMENT R	CLOSING BALANCE R
NATIONAL GOVERNMENT						
Equitable Share	-	37 173 000	(37 173 000)	-	-	-
Municipal Infrastructure Grant (MIG)	-	22 631 000	(717 600)	(15 985 222)	-	5 928 178
Financial Management Grant (FMG)	-	1 475 000	(1 475 000)	-	-	-
Integrated National Electrification Programme (INEP)	-	3 000 000	-	(3 000 000)	-	-
Expanded Public Works Program (EPWP)	-	1 000 000	(1 000 000)	-	-	-
Regional Bulk Infrastructure Grant (RBIG)	-	16 838 000	-	(4 383 429)	-	12 454 571
WSOG - O&M	1 224 044	-	-	(1 199 957)	-	24 087
Total	1 224 044	82 117 000	(40 365 600)	(24 568 608)	-	18 406 836
PROVINCIAL GOVERNMENT						
Spacial Development Framework	8 342	(8 342)	-	-	-	-
Human Settlement Development Grant	19 412	1 839 412	(1 602 363)	(251 635)	-	4 826
Library Services MRF	-	3 660 000	(3 647 401)	(12 599)	-	-
CDW Support	-	170 000	(129 827)	-	-	40 173
Housing Consumer Education	59 294	-	-	(57 047)	-	2 247
Road Maintenance	-	45 528	(45 528)	-	-	-
Development of Sport and Recreational Facilities	15 231	-	-	(15 231)	-	-
Municipal Drought Support Grant	-	1 850 000	-	(1 752 275)	-	97 725
Marine Living Resources Fund	-	2 825 000	(2 825 000)	-	-	-
IDP Grant	2 042	60 000	(28 162)	-	-	33 880
Financial Management Support Grant	1 079 892	40 488	(1 120 380)	-	-	-
Municipal Infrastructure Support Grant	6 079	-	(6 079)	-	-	-
Municipal Capacity Building Grant	-	1 870 000	(537 924)	-	-	1 332 076
Acceleration of Housing Delivery	-	13 315 000	-	(917 769)	-	12 397 231
Total	1 190 292	25 667 086	(9 942 665)	(3 006 556)	-	13 908 158
ALL SPHERES OF GOVERNMENT	2 414 336	107 784 086	(50 308 265)	(27 575 163)	-	32 314 994

CEDERBERG LOCAL MUNICIPALITY

APPENDIX C (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
Financial Performance						
Property rates	39 200 000	616 171	39 816 171	38 308 187	(1 507 984)	31 329 349
Service charges	118 473 145	1 270 522	119 743 667	118 329 572	(1 414 095)	107 120 509
Investment revenue	367 599	170 000	537 599	863 414	325 815	355 840
Transfers recognised - operational	44 949 650	8 385 755	53 335 405	50 308 265	(3 027 140)	71 338 081
Other own revenue	16 891 895	25 411 836	42 303 731	36 944 109	(5 359 622)	24 669 962
Total Operating Revenue	219 882 289	35 854 284	255 736 573	244 753 548	(10 983 025)	234 813 740
Employee costs	73 779 856	2 713 550	76 493 406	83 344 277	6 850 871	78 229 940
Remuneration of councillors	4 477 572	374 125	4 851 697	4 776 507	(75 190)	4 327 829
Debt impairment	10 000 000	30 819 599	40 819 599	32 326 939	(8 492 660)	19 645 540
Depreciation & asset impairment	18 313 810	(1 024 108)	17 289 702	16 044 595	(1 245 107)	15 876 197
Finance charges	7 145 831	262 493	7 408 324	7 887 228	478 904	9 967 992
Materials and bulk purchases	67 024 487	472 891	67 497 378	67 596 734	99 356	63 222 238
Transfers and grants	-	-	-	-	-	-
Other expenditure	49 364 310	8 744 442	58 108 752	48 803 057	(9 305 695)	69 469 345
Total Expenditure	230 105 866	42 362 992	272 468 858	260 779 337	(11 689 521)	260 739 081
Surplus/(Deficit)	(10 223 577)	(6 508 708)	(16 732 285)	(16 025 789)	706 496	(25 925 341)
Transfers recognised - capital	45 910 350	12 548 616	58 458 966	27 575 163	(30 883 803)	42 245 398
Contributions Recognised - Capital	-	-	-	361 702	361 702	-
Surplus/(Deficit) for the year	35 686 773	6 039 908	41 726 681	11 911 076	(29 815 605)	16 320 057
Capital expenditure & funds sources						
Capital expenditure	50 560 750	19 473 763	70 034 513	28 253 461	(41 781 052)	44 016 502
Transfers recognised - capital	45 910 750	12 548 216	58 458 966	22 965 974	(35 492 992)	39 670 888
Borrowing	-	-	-	-	-	816 988
Internally generated funds	4 650 000	6 925 547	11 575 547	5 287 487	(6 288 060)	3 528 625
Total sources of capital funds	50 560 750	19 473 763	70 034 513	28 253 461	(41 781 052)	44 016 502
Cash flows						
Net cash from (used) operating	56 451 842	16 735 300	73 187 142	47 875 820	(25 311 322)	39 354 684
Net cash from (used) investing	(50 560 750)	(19 473 763)	(70 034 513)	(27 115 296)	42 919 217	(43 603 722)
Net cash from (used) financing	(2 087 826)	-	(2 087 826)	(949 865)	1 137 961	178 298
Net Cash Movement for the year	3 803 266	(2 738 463)	1 064 803	19 810 659	18 745 856	(4 070 740)
Cash/cash equivalents at beginning of year	2 972 400	(1 208 580)	1 763 820	2 490 231	726 411	6 560 971
Cash/cash equivalents at the year end	6 775 666	(3 947 043)	2 828 623	22 300 890	19 472 267	2 490 231

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APPENDIX C (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL OUTCOME	BUDGET VARIANCE	RESTATED OUTCOME
	2017	2017	2017	2017	2017	2016
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)	R	R	R	R	R	R
REVENUE						
Governance and administration						
Executive and council	1 293 001	2 477 202	3 770 203	2 438 127	(1 332 076)	2 670 500
Budget and treasury office	45 787 594	(1 152 470)	44 635 124	48 666 743	4 031 619	42 454 279
Corporate services	917 182	603 527	1 520 709	743 955	(776 754)	1 826 434
Community and public safety						
Community and social services	14 802 651	34 914 348	49 716 999	40 157 257	(9 559 742)	51 382 127
Sport and recreation	7 679 000	(7 679 000)	-	-	-	52 938
Housing	500 000	2 757 252	3 257 252	1 911 044	(1 346 208)	7 646
Economic and environmental services						
Planning and development	2 105 436	(591 658)	1 513 778	1 404 292	(109 486)	917 617
Road transport	5 432 577	(2 391 662)	3 040 915	3 831 179	790 264	62 711
Trading services						
Electricity	101 655 761	(13 787 794)	87 867 967	87 513 589	(354 378)	78 911 266
Water	49 491 641	3 247 803	52 739 444	22 129 043	(30 610 401)	49 871 036
Waste water management	29 257 369	12 974 644	42 232 013	45 021 204	2 789 191	35 747 494
Waste management	6 870 427	6 958 515	13 828 942	18 183 503	4 354 561	13 155 090
Other	-	10 072 193	10 072 193	690 477	(9 381 716)	-
Total Revenue - Standard	265 792 639	48 402 900	314 195 539	272 690 413	(41 505 126)	277 059 138
EXPENDITURE						
Governance and administration						
Executive and council	9 023 475	2 636 370	11 659 845	9 827 861	(1 831 984)	10 799 481
Budget and treasury office	38 954 980	11 950 875	50 905 855	50 341 795	(564 060)	49 229 600
Corporate services	21 104 460	(532 547)	20 571 913	19 075 638	(1 496 275)	22 166 801
Community and public safety						
Community and social services	27 769 034	30 646 187	58 415 221	51 509 750	(6 905 471)	59 764 893
Sport and recreation	630 460	(630 460)	-	-	-	-
Housing	500 000	2 697 958	3 197 958	1 596 963	(1 600 995)	-
Economic and environmental services						
Planning and development	728 700	(649 858)	78 842	8 498	(70 344)	555
Road transport	9 822 785	(3 495 327)	6 327 458	6 144 405	(183 053)	4 908 694
Trading services						
Electricity	71 532 665	(207 886)	71 324 779	71 424 552	99 773	66 112 991
Water	43 523 326	(1 440 676)	42 082 650	43 293 287	1 210 637	43 012 622
Waste water management	3 539 155	250 682	3 789 837	4 096 350	306 513	2 039 524
Waste management	2 976 828	420 072	3 396 900	3 460 235	63 335	2 703 917
Other	-	717 600	717 600	-	(717 600)	-
Total Expenditure - Standard	230 105 868	42 362 990	272 468 858	260 779 335	(11 689 523)	260 739 077
Surplus/(Deficit) for the year	35 686 771	6 039 910	41 726 681	11 911 078	(29 815 603)	16 320 061

CEDERBERG LOCAL MUNICIPALITY

APPENDIX C (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL OUTCOME	BUDGET VARIANCE	RESTATED OUTCOME
	2017	2017	2017	2017	2017	2016
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)	R	R	R	R	R	R
REVENUE						
Executive and Council	1 173 001	727 202	1 900 203	1 900 203	-	2 145 500
Office of the Municipal Manager	120 000	1 750 000	1 870 000	537 924	(1 332 076)	525 000
Financial Services	45 787 594	(1 152 470)	44 635 124	48 666 743	4 031 619	42 296 680
Community Development Services	22 981 651	29 992 600	52 974 251	42 053 070	(10 921 181)	51 442 711
Corporate and Strategic Services	917 182	603 527	1 520 709	743 955	(776 754)	1 826 434
Engineering and Planning Services	194 813 211	16 482 041	211 295 252	178 788 518	(32 506 734)	178 822 813
Total Revenue by Vote	265 792 639	48 402 900	314 195 539	272 690 413	(41 505 126)	277 059 138
EXPENDITURE						
Executive and Council	4 768 572	1 175 328	5 943 900	5 610 118	(333 782)	4 726 108
Office of the Municipal Manager	4 254 903	1 461 042	5 715 945	4 217 743	(1 498 202)	6 073 373
Financial Services	38 954 980	11 950 875	50 905 855	50 341 795	(564 060)	49 229 600
Community Development Services	28 899 494	32 713 685	61 613 179	52 652 852	(8 960 327)	57 810 955
Corporate and Strategic Services	21 104 460	(532 547)	20 571 913	19 075 638	(1 496 275)	22 166 801
Engineering and Planning Services	132 123 459	(4 405 393)	127 718 066	128 881 189	1 163 123	120 732 241
Total Expenditure by Vote	230 105 868	42 362 990	272 468 858	260 779 335	(11 689 523)	260 739 077
Surplus/(Deficit) for the year	35 686 771	6 039 910	41 726 681	11 911 078	(29 815 603)	16 320 061

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APPENDIX C (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
REVENUE AND EXPENDITURE						
REVENUE BY SOURCE						
Property rates	39 200 000	616 171	39 816 171	38 308 187	(1 507 984)	31 329 349
Service charges	118 473 145	1 270 522	119 743 667	118 329 572	(1 414 095)	107 120 509
Rental of facilities and equipment	3 663 180	612 480	4 275 660	3 755 082	(520 578)	3 252 262
Interest earned - external investments	367 599	170 000	537 599	863 414	325 815	355 840
Interest earned - outstanding debtors	4 317 248	(2 825 066)	1 492 182	2 960 994	1 468 812	3 539 459
Fines	3 047 188	27 480 322	30 527 510	21 178 435	(9 349 075)	8 689 380
Licences and permits	1 023 911	20 001	1 043 912	1 117 949	74 037	987 493
Agency services	1 471 562	300 000	1 771 562	1 699 486	(72 076)	1 598 321
Transfers recognised - operational	44 949 650	8 385 755	53 335 405	50 308 265	(3 027 140)	71 338 081
Other revenue	3 368 806	(175 901)	3 192 905	6 232 163	3 039 258	6 603 047
Gains on disposal of PPE	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	219 882 289	35 854 284	255 736 573	244 753 548	(10 983 025)	234 813 740
EXPENDITURE BY TYPE						
Employee related costs	73 779 856	2 713 550	76 493 406	83 344 277	6 850 871	78 229 940
Remuneration of councillors	4 477 572	374 125	4 851 697	4 776 507	(75 190)	4 327 829
Debt impairment	10 000 000	30 819 599	40 819 599	32 326 939	(8 492 660)	19 645 540
Depreciation & asset impairment	18 313 810	(1 024 108)	17 289 702	16 044 595	(1 245 107)	15 876 197
Finance charges	7 145 831	262 493	7 408 324	7 887 228	478 904	9 967 992
Bulk purchases	67 024 487	472 891	67 497 378	67 596 734	99 356	63 222 238
Other materials	-	-	-	-	-	-
Contracted services	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-
Other expenditure	49 364 310	8 744 442	58 108 752	47 880 627	(10 228 125)	68 479 554
Loss on disposal of PPE	-	-	-	922 430	922 430	989 792
Total Expenditure	230 105 866	42 362 992	272 468 858	260 779 337	(11 689 521)	260 739 081
Surplus/(Deficit)	(10 223 577)	(6 508 708)	(16 732 285)	(16 025 789)	706 496	(25 925 341)
Transfers recognised - capital	45 910 350	12 548 616	58 458 966	27 575 163	(30 883 803)	42 245 398
Contributions Recognised - Capital	-	-	-	361 702	361 702	-
Surplus/(Deficit) for the year	35 686 773	6 039 908	41 726 681	11 911 076	(29 815 605)	16 320 057

CEDERBERG LOCAL MUNICIPALITY

APPENDIX F (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
CAPITAL EXPENDITURE						
CAPITAL EXPENDITURE (VOTE)						
Multi-year expenditure						
Community Development Services	-	-	-	-	-	7 692 349
Corporate and Strategic Services	-	-	-	-	-	122 787
Engineering and Planning Services	42 731 850	8 224 188	50 956 038	18 749 747	(32 206 291)	23 943 966
Total Multi-year expenditure	42 731 850	8 224 188	50 956 038	18 749 747	(32 206 291)	31 759 102
Single-year expenditure						
Executive and Council	-	-	-	-	-	440 012
Office of the Municipal Manager	-	-	-	-	-	-
Financial Services	240 000	312 428	552 428	538 070	(14 358)	11 210
Community Development Services	1 333 900	(325 058)	1 008 842	838 747	(170 095)	902 714
Corporate and Strategic Services	455 000	340 000	795 000	749 064	(45 936)	178 422
Engineering and Planning Services	5 800 000	10 922 205	16 722 205	7 377 832	(9 344 373)	10 725 041
Total Single-year expenditure	7 828 900	11 249 575	19 078 475	9 503 714	(9 574 761)	12 257 399
Total Capital Expenditure by Vote	50 560 750	19 473 763	70 034 513	28 253 461	(41 781 052)	44 016 502
CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	-	-	-	-	-	440 012
Budget and treasury office	240 000	312 428	552 428	538 070	(14 358)	11 210
Corporate services	455 000	340 000	795 000	749 064	(45 936)	301 209
Community and public safety						
Community and social services	1 083 900	(134 352)	949 548	852 328	(97 220)	3 274 263
Sport and recreation	250 000	(250 000)	-	605 681	605 681	5 320 800
Public safety	-	-	-	-	-	-
Housing	-	59 294	59 294	-	(59 294)	-
Economic and environmental services						
Planning and development	275 000	3 652	278 652	277 282	(1 370)	-
Road transport	5 444 200	(1 965 988)	3 478 212	3 366 274	(111 938)	1 396 912
Trading services						
Electricity	3 365 000	1 265 000	4 630 000	3 512 477	(1 117 523)	2 705 404
Water	18 487 000	444 257	18 931 257	4 872 112	(14 059 145)	3 871 132
Waste water management	19 410 650	6 506 269	25 916 919	12 150 410	(13 766 509)	25 327 635
Waste management	1 550 000	3 538 610	5 088 610	1 329 762	(3 758 848)	1 367 924
Other	-	9 354 593	9 354 593	-	(9 354 593)	-
Total Capital Expenditure - Standard	50 560 750	19 473 763	70 034 513	28 253 461	(41 781 052)	44 016 502

CEDERBERG LOCAL MUNICIPALITY

APPENDIX F (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
CAPITAL EXPENDITURE (CONTINUED)						
CAPITAL EXPENDITURE (FUNDING SOURCES)						
National Government	45 891 850	(2 706 406)	43 185 444	20 549 157	(22 636 287)	37 299 339
Provincial Government	18 900	15 254 622	15 273 522	2 416 818	(12 856 704)	2 371 549
District Municipality	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-
Transfers recognised - capital	45 910 750	12 548 216	58 458 966	22 965 974	(35 492 992)	39 670 888
Public contributions & donations	-	-	-	-	-	-
Borrowing	-	-	-	-	-	816 988
Internally generated funds	4 650 000	6 925 547	11 575 547	5 287 487	(6 288 060)	3 528 625
Total Capital Funding	50 560 750	19 473 763	70 034 513	28 253 461	(41 781 052)	44 016 502

CEDERBERG LOCAL MUNICIPALITY

APPENDIX F (6) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
CASH FLOWS						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates, penalties & collection charges	36 046 800	799 719	36 846 519	32 839 893	(4 006 626)	32 090 274
Service charges	110 502 525	2 423 914	112 926 439	104 950 995	(7 975 444)	92 856 390
Other revenue	10 898 694	5 490 847	16 389 541	16 080 988	(308 553)	13 767 101
Government - operating	44 949 650	8 385 755	53 335 405	80 208 923	26 873 518	71 789 208
Government - capital	45 910 350	12 548 616	58 458 966	27 575 163	(30 883 803)	42 245 398
Interest	2 196 873	(396 779)	1 800 094	3 824 409	2 024 315	3 895 299
Payments						
Suppliers and employees	(192 203 050)	3 775 205	(188 427 845)	(214 936 752)	(26 508 907)	(212 010 519)
Finance charges	(1 850 000)	(129 572)	(1 979 572)	(2 667 797)	(688 225)	(5 278 468)
Transfer and Grants	-	(16 162 405)	(16 162 405)	-	16 162 405	-
NET CASH FROM OPERATING ACTIVITIES	56 451 842	16 735 300	73 187 142	47 875 820	(25 311 322)	39 354 684
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE	-	-	-	640 725	640 725	412 779
Payments						
Capital assets	(50 560 750)	(19 473 763)	(70 034 513)	(27 756 021)	42 278 492	(44 016 502)
NET CASH USED IN INVESTING ACTIVITIES	(50 560 750)	(19 473 763)	(70 034 513)	(27 115 296)	42 919 217	(43 603 722)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Borrowing long term/refinancing	-	-	-	1 414 116	1 414 116	4 000 000
Increase (decrease) in consumer deposits	-	-	-	150 300	150 300	112 964
Payments						
Repayment of borrowing	(2 087 826)	-	(2 087 826)	(2 514 280)	(426 454)	(3 934 667)
NET CASH FROM FINANCING ACTIVITIES	(2 087 826)	-	(2 087 826)	(949 865)	1 137 961	178 298
NET INCREASE/ (DECREASE) IN CASH HELD	3 803 266	(2 738 463)	1 064 803	19 810 659	18 745 856	(4 070 740)
Cash/cash equivalents at the year begin:	2 972 400	(1 208 580)	1 763 820	2 490 231	726 411	6 560 971
Cash/cash equivalents at the year end:	6 775 666	(3 947 043)	2 828 623	22 300 890	19 472 267	2 490 231