



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

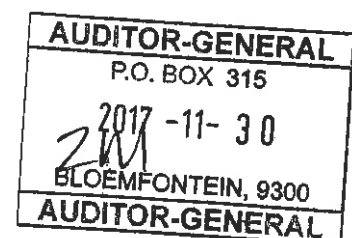
**AUDITOR-GENERAL**  
P.O. BOX 315  
2017-11-30  
#101  
BLOEMFONTEIN, 9300  
**AUDITOR-GENERAL**

# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## General Information

<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services as set in the Constitution
<b>Municipal Demarcation code</b>	FS 162
<b>Grading of local authority</b>	Three
<b>Council composition</b>	
<b>Mayor</b>	Matwa TX
<b>Speaker</b>	Dlomo LK
<b>Chief Whip</b>	Jan NM
<b>Ordinary Councillors</b>	Basholo PD Moitse J Smith B Phafudi TA Sola SA Shebe H May ME Rasoeu LG Makoa L Moeketsi MJ Phoba MJ Mjika ME
<b>Accounting Officer</b>	Mr. MM Kubeka
<b>Chief Finance Officer (CFO)</b>	Mrs MP Koatla
<b>Registered office</b>	20 Louw Street Trompsburg 9913
<b>Postal address</b>	Private Bag X23 Trompsburg 9913
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General of South Africa Supreme Audit Institution of South Africa
<b>Attorneys</b>	Mohlokonya attorneys Maduba Attorneys



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

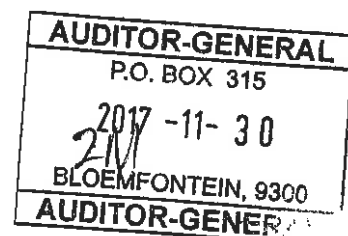
## General Information

### Relevant legislation applicable on our operations:

1. Basic Condition of Employment Act (Act no.75 of 1997)
2. Division of Revenue Act (Act no.3 of 2016)
3. Electricity Act (Act no. 41 of 1998)
4. Employment Equity Act (Act no.55 of 1998)
5. Housing Act (Act no.107 of 1997)
6. Income tax Act (Act no. 58 of 1962)
7. Municipal Finance Management Act (Act No 56 of 2003)
8. Municipal Planning and Performance Management Regulation
9. Municipal Property Rates Act (Act no.6 of 2004)
10. Municipal Structure Act (Act no.117 of 1998)
11. Skill Development Levies Act (Act no.9 of 1999)
12. South Africa Local Bargaining Council Regulations
13. Supply Chain Management Regulation of 2005
14. Unemployment Insurance Act (Act no.89 of 1991)
15. Value Added Tax Act (Act no, 89 of 1991)
16. Water Service Act (Act no.108 of 1997)
17. Municipal Systems Act (Act 32 of 2000)

### Area of impact:

- Employee related issues
- Budget and annual appropriations
- Electricity Services to the community
- Employee related issues
- Housing activities
- Taxation
- Financial management
- Performance management
- Property rates and related matters
- Municipal structures i.e. committees, form of governance, etc.
- Employee related issues
- Employee related issues
- Procurement and related matters
- Employee related issues
- Taxation
- Water related matters
- Municipal systems i.e. job profiles, municipal establishment, etc.



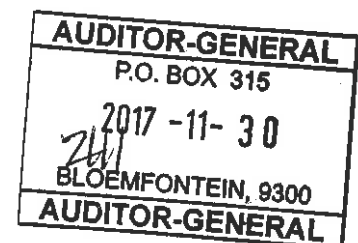
# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

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

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# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Responsibility and Approval of the Annual Financial Statements

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

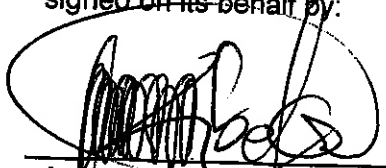
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The annual financial statements set out on page 5-76 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

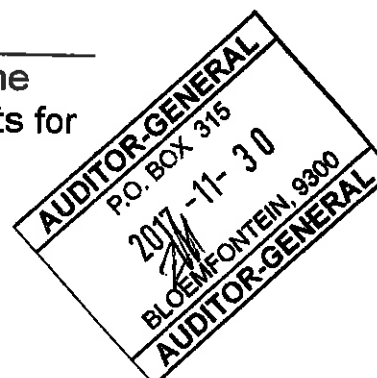


Accounting Officer /  
Municipal Manager

MM Kubeka

**31-Aug-17**

Approval date of the  
financial statements for  
submission to the  
AGSA for auditing

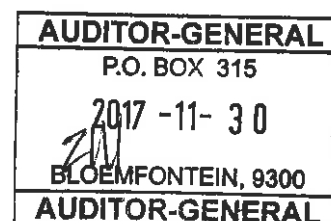


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Responsibility and Approval of the Annual Financial Statements

	Note Reference	2017	2016
		Figures in Rand	Figures in Rand
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	93 252	79 858
Other Receivables from exchange transactions	6	4 182 564	3 695 113
Receivables from non-exchange transactions	7	2 875 316	6 328 359
VAT receivable	8	2 464 853	2 655 129
Receivables from exchange transactions	9	26 182 516	16 258 522
Cash and cash equivalents	10	2 062 104	912 567
<b>Total Current Assets</b>		<b>37 860 605</b>	<b>29 929 548</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	930 049 151	942 929 730
<b>Total Non-Current Assets</b>		<b>930 049 151</b>	<b>942 929 730</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long-term liabilities	12	179 928	179 928
Payables from exchange transactions	14	291 442 675	227 856 805
Consumer deposits	15	3 129 473	3 102 602
Unspent conditional grants and receipts	11	17 179 467	5 863 209
<b>Total Current Liabilities</b>		<b>311 931 543</b>	<b>237 002 544</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	12	1 089 431	1 269 359
Employee benefit obligation	4	14 069 000	13 926 203
Provisions	13	9 487 806	9 157 540
<b>Total Non-Current Liabilities</b>		<b>24 646 237</b>	<b>24 353 102</b>
<b>Total Liabilities</b>		<b>336 577 780</b>	<b>261 355 646</b>
<b>Assets</b>		<b>967 909 756</b>	<b>981 749 634</b>
<b>Liabilities</b>		<b>336 577 780</b>	<b>261 355 646</b>
<b>Net Assets</b>		<b>631 331 976</b>	<b>711 502 632</b>
Accumulated surplus		635 682 066	711 502 632

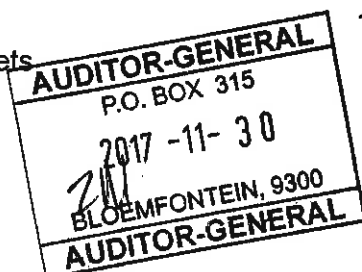


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance for the year ended 30 June 2017

	Note Reference	2017	2016
		Figures in Rand	Figures in Rand
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		374 024	669 882
Service charges	17	105 424 079	108 396 630
Rental of facilities and equipment		364 459	968 848
Fees earned		3 966	3 785
Rental income		805 413	136 704
Sundry income		1 099 967	722 148
Interest received	19	12 990 602	9 636 481
<b>Total revenue from exchange transactions</b>		<b>121 062 510</b>	<b>128 736 195</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	16 134 160	13 952 421
<b>Transfer revenue</b>			
Government grants & subsidies	21	103 907 380	115 329 459
Fines, Penalties and Forfeits		34 048	124 534
<b>Total revenue from non-exchange transactions</b>		<b>120 075 588</b>	<b>129 406 414</b>
<b>Total revenue</b>	<b>16</b>	<b>241 138 098</b>	<b>249 940 892</b>
<b>Expenditure</b>			
Employee related costs	22	-102 740 741	-96 717 959
Remuneration of councillors	23	-3 527 609	-3 854 539
Administration	24	-2 200 654	-2 122 552
Depreciation and amortisation	25	-42 559 762	-54 847 872
Finance costs	26	-324 857	-162 922
Lease rentals on operating lease		-2 000 078	-1 835 292
Debt Impairment	27	-42 478 833	-61 581 833
Interest paid		-22 827 103	-18 958 057
Repairs and maintenance		-3 000 498	-2 733 065
Bulk purchases	28	-86 352 749	-78 512 656
Contracted services	29	-	-648 566
General Expenses	30	-18 323 103	-19 361 603
<b>Total expenditure</b>		<b>-326 335 987</b>	<b>-341 336 916</b>
Actuarial gains/ (loss)	16	92 855	8 201 717
Gain (loss) on disposal of assets		-3 066 782	-645 635
<b>Total Revenue</b>		<b>241 230 953</b>	<b>249 940 892</b>
<b>Total expenditure</b>		<b>-329 309 914</b>	<b>-341 336 916</b>
Deficit before taxation		=88 078 961	-83 839 942
<b>Deficit for the year</b>		<b>-88 078 861</b>	<b>-83 839 942</b>

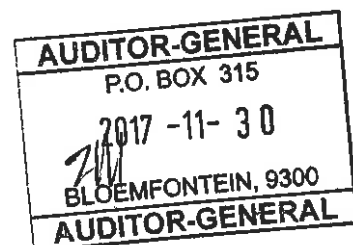


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets for the year ending 30 June 2017

	Figures in Rand	Figures in Rand
Balance at 01 July 2015	788 298 043	788 298 043
<b>Changes in net assets</b>		
Deficit for the year	-83 839 942	-83 839 942
<b>Total changes</b>	<b>-83 839 942</b>	<b>-83 839 942</b>
<b>Opening balance as previously reported</b>	<b>734 651 249</b>	<b>734 651 249</b>
<b>Adjustments</b>		
Prior year adjustments: Note 36	-11 037 601	-11 037 601
<b>Balance at 01 July 2016 as restated*</b>	<b>723 613 648</b>	<b>723 613 648</b>
<b>Changes in net assets</b>		
Deficit for the year	--88 078 961	-88 078 961
<b>Total changes</b>	<b>-88 078 961</b>	<b>-88 078 961</b>
<b>Balance at 30 June 2017</b>	<b>635 534 687</b>	<b>635 534 687</b>



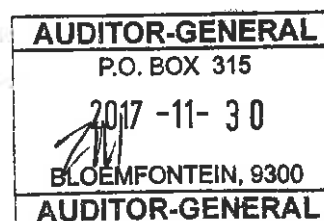


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Cash Flows for the year ended 30 June 2017

	Note Reference	2017 Figures in Rand	2016 Figures in Rand
<b>Cash flows from operating activities</b>			
Receipts			
Sale of goods and services		69 092 995	67 039 565
Grants		116 820 000	91 695 779
Interest income		12 990 602	9 636 481
<b>Total cash in flow from operating activities</b>		<b>198 903 597</b>	<b>168 371 825</b>
Payments			
Employee costs		-106 268 350	-99 880 498
Suppliers		-61 301 437	-45 466 360
Finance costs		-324 857	-162 922
<b>Total cash out flow from operating activities</b>		<b>-167 894 644</b>	<b>-145 509 780</b>
Total receipts		198 903 597	168 371 825
Total payments		-167 894 644	-145 509 780
<b>Net cash flows from operating activities</b>	<b>32</b>	<b>31 008 953</b>	<b>22 862 045</b>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	-29 679 184	-26 369 067
Proceeds from sale		0	1 499 689
<b>Net cash flows from investing activities</b>		<b>-29 679 184</b>	<b>-24 869 378</b>
Cash flows from financing activities			
Repayment of long-term liabilities		-179 928	-179 930
<b>Net cash flows from financing activities</b>		<b>-179 928</b>	<b>-179 930</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>1 149 841</b>	<b>-2 187 263</b>
Cash and cash equivalents at the beginning of the year		912 567	3 099 828
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>2 062 408</b>	<b>912 565</b>

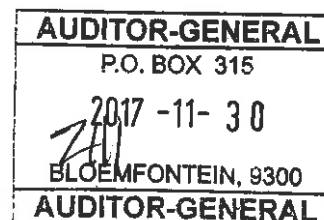


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of the Approved Budget against Actual Amounts

Budget on Cash Basis (Figures in Rand)	Council's Initial Budget Approved	Council's Adjustment Approved	Final Budget for the financial year	Actual Amounts on comparable basis	Difference between Final Budget and Actual Budget	Note Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1 009 648	-299 012	710 636	374 024	-336 612	47
Service charges	116 595 000	2 683 000	119 278 000	105 424 079	-13 853 921	47
Rental of facilities and equipment	273 178	777 822	1 051 000	364 459	-686 541	47
Fees earned	24 200	-17 200	7 000	3 966	-3 034	
Rental income	991 579	-821 579	170 000	805 413	635 413	47
Sundry Income	17 815 138	-12 872	17 802 266	1 099 967	-16 702 299	47
Interest received - investment	9 490 820	2 654 136	12 144 956	12 990 602	845 646	47
Total revenue from exchange transactions	146 199 563	4 964 295	151 163 858	121 062 510	-30 101 348	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22 319 228	-5 464 441	16 854 787	16 134 160	-720 627	47
Transfer revenue						
Government grants & subsidies	73 430 000		73 430 000	103 907 380	30 477 380	47
Fines, Penalties and Forfeits	60 000	28 000	88 000	34 048	-53 952	
Total revenue from non- exchange transactions	95 809 228	-5 436 441	90 372 787	120 075 588	29 702 801	
Expenditure						
Personnel	-90 357 811	-9 285 073	-99 642 884	-102 740 741	-3 097 857	47
Remuneration of councillors	-4 200 000	-376 406	-4 576 406	-4 729 924	-153 516	47
Depreciation and amortisation	-72 312 000	-280 974	-72 592 974	-42 559 762	30 033 212	47
Bad debts written off	-23 726 951	8 600 100	-15 126 851	-42 478 833	-27 351 982	47
Interest paid	-2 122 552		-2 122 552	-22 827 103	-22 827 103	47
Bulk purchases	-62 063 989	-10 331 974	-72 395 963	-86 352 749	-13 956 786	47
General Expenses	-52 746 778	5 083 614	-47 663 164	-25 849 190	-21 813 974	47
Total expenditure	-307 530 081	-6 590 713	-314 120 794	-327 538 302	-13 417 508	
Actuarial gains/losses				92 855	92 855	
Deficit before taxation	-65 521 290	-7 062 859	-72 584 149	-86 400 204	-13 816 055	
Taxation						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-65 521 290	-7 062 859	-72 584 149	-86 400 204	-13 816 055	



**Kopanong Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017  
**Unaudited Appropriation Statement**

2017 (Figures in Rand)	Original Budget approved	Adjustment made i.t.o. s28 and s31 of the MFMA	Final adjustments Budget	Shifting of funds i.t.o. section S31 of MFMA	Virement applied i.t.o. council approved policy	Final budget	Actual Outcome	Unauthorised Expenditure (UE)	Budget Variances (Incl. set national Budget)	% Actual against Final Budget	% Actual against Original Budget
<b>Revenue (Excluding capital transfers and contributions)</b>											
<b>Financial Performance</b>											
Property rates	22 319 228	-5 464 441	16 854 787	Nil	Nil	16 854 787	16 134 160	Not applicable	720 627	96%	72%
Service charges	116 595 000	2 683 000	119 278 000	Nil	Nil	119 278 000	105 424 079	Not applicable	13 853 921	88%	90%
Investment revenue	-	-	-	-	Nil	Nil	12 990 602	Not applicable	-12 990 602	-100%	100%
Transfers recognised –Operational	73 430 000	-	73 430 000	Nil	Nil	73 430 000	68 363 000	Not applicable	5 067 000	93%	93%
Other own revenue	22 876 000	9 098 000	31 974 000	Nil	Nil	31 974 000	2 973 342	Not applicable	29 000 658	9%	13%
<b>Total revenue (Excluding capital transfers and contributions)</b>	<b>235 220 228</b>	<b>6 316 559</b>	<b>241 536 787</b>			<b>241 536 787</b>	<b>205 885 183</b>				
<b>Expenditure</b>											
Employee costs	-90 357 811	-9 285 073	-99 642 884	Nil	Nil	-99 642 884	-102 740 741	-3 097 857	0	103%	114%
Remuneration of Councillors	-4 200 000	-376 406	-4 576 406	Nil	Nil	-4 576 406	-4 729 924	-153 518	0	103%	113%
Debt impairment	-23 727 418	8 600 567	-15 126 851	Nil	Nil	-15 126 851	-42 478 833	-27 351 982	0	281%	179%
Depreciation and asset Impairment	-72 312 000	-280 974	-72 592 974	Nil	Nil	-72 592 974	-42 559 762	Nil	-30 033 212	59%	59%
Finance charges	-2 122 552	-	-2 122 552	Nil	Nil	-2 122 552	-22 827 103	-22 827 103	0	1075%	1075%
Materials and bulk Purchases	-62 063 989	-10 330 974	-72 394 963	42	Nil	-72 394 921	-86 352 749	-13 956 786	0	119%	139%
Other expenditure	-52 746 778	5 083 614	-47 663 164	Nil	Nil	-47 663 164	-25 849 190	Nil	-21 813 974	54%	49%
<b>Total expenditure</b>	<b>-307 530 548</b>	<b>-6 589 246</b>	<b>-314 119 794</b>	<b>42</b>	<b>Nil</b>	<b>-314 119 752</b>	<b>-327 536 302</b>	<b>67 387 246</b>	<b>51 847 186</b>		
<b>Surplus/ (Deficit)</b>	<b>-72 310 320</b>	<b>-272 687</b>	<b>-72 583 007</b>	<b>42</b>	<b>Nil</b>	<b>-72 582 965</b>	<b>-121 653 119</b>				

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BLOEMFONTEIN, 9300  
**AUDITOR-GENERAL**

# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Unaudited Appropriation Statement

(Figures in Rand)	2017	Original Budget approved	Adjustment made i.t.o. s28 and s31 of the MFMA	Final adjustments Budget	Shifting of funds i.t.o section S31 of MFMA	Virement applied i.t.o. council approved policy	Final budget	Actual Outcome	Unauthorised Expenditure	Budget Variances (including unauthorised expenditure)	% Actual against Final Budget	% Actual against Original Budget
Surplus/ (Deficit) for the year		-72 310 320	-272 687	-72 583 007	42	Nil	-72 582 965	-125 338 772	0	0	0	0
Capital Transfers and Contributions		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Surplus (Deficit) after capital transfers and contributions		-72 310 320	-272 687	-72 583 007	42	Nil	-72 582 965	-125 338 772	0	0	0	0
Surplus/ (Deficit) for the year												
Capital Expenditure and sources of funding		66 379 000	Nil	Nil	Nil	Nil	66 379 000	46 541 000	46 541 000	-46 541 000	70%	70%

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Annual Financial Statements for the year ended 30 June 2017  
**Unaudited Appropriation Statement**

	2016 Figures in Rand	Reported Unauthorised authorised in	Expenditure authorised in terms of Section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial Performance					
Property rates		Nil	Nil	Nil	13 952 421
Service charges		Nil	Nil	Nil	108 396 630
Investment revenue		Nil	Nil	Nil	9 636 481
Transfers recognised – operational		Nil	Nil	Nil	78 370 000
Other own revenue		Nil	Nil	Nil	10 827 618
Total revenue (excluding capital transfers and contributions)					221 183 150
Employee costs		Nil	Nil	Nil	-96 717 959
Remuneration of councillors		Nil	Nil	Nil	-3 854 539
Debt impairment		Nil	Nil	Nil	-61 581 833
Depreciation and asset impairment		Nil	Nil	Nil	-54 847 872
Finance charges		Nil	Nil	Nil	-162 922
Materials and bulk purchases		Nil	Nil	Nil	-78 512 656
Other expenditure		Nil	Nil	Nil	-46 304 770
Total expenditure		-	-		-341 982 551
Surplus/ (Deficit)					-120 799 401
Transfers recognised – capital		Nil	Nil	Nil	36 959 459
Surplus (Deficit) after capital transfers and contributions					-83 839 942
Surplus (Deficit) after capital transfers and contributions		Nil	Nil	Nil	-83 839 942
Surplus/ (Deficit) for the year					-83 839 942

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**Kopanong Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017  
**Unaudited Appropriation Statement**

Figures in Rand	2016	Reported Unauthorised authorised in	Expenditure authorised in terms of Section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Capital expenditure and funds sources</b>					
Total capital expenditure		Nil	Nil	Nil	7 501 591
Sources of capital funds		Nil	Nil	Nil	
Transfers recognised – capital		Nil	Nil	Nil	Nil
Public contributions and donations		Nil	Nil	Nil	600 000
Borrowing		Nil	Nil	Nil	3 076 000
Internally generated funds		Nil	Nil	Nil	14 288 000
Transfers recognised – capital		Nil	Nil	Nil	1 721 000
Transfers recognised – capital		Nil	Nil	Nil	10 000 000
Transfers recognised – capital		Nil	Nil	Nil	995 000
Transfers recognised – capital		Nil	Nil	Nil	Nil
Total sources of capital funds		Nil	Nil	Nil	30 680 000
<b>Cash flows</b>					
Net cash from (used) operating		Nil	Nil	Nil	22 862 045
Net cash from (used) investing		Nil	Nil	Nil	-24 869 378
Net cash from (used) financing		Nil	Nil	Nil	-179 930
Net increase/ (decrease) in cash and cash equivalents					-2 187 263
Cash and cash equivalents at the beginning of the year		Nil	Nil	Nil	3 099 828
Net increase / (decrease) in cash and cash equivalents		Nil	Nil	Nil	-2 187 263
Cash and cash equivalents at the beginning of the year		Nil	Nil	Nil	3 099 828
Cash and cash equivalents at year end					912 565

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# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. The annual financial statements are compiled on a going concern basis.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### *Trade receivables / Held to maturity investments and/or loans and receivables*

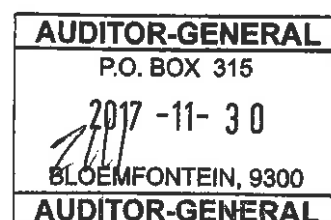
The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated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

##### *Fair value estimation*

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

##### *Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provision are included in note 13 of Provisions.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty

#### *Useful lives of waste and water network and other assets*

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### *Post-retirement benefits*

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 4.

#### *Effective interest rate*

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

#### *Allowance for doubtful debts*

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

### 1.4 Property, plant and equipment

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

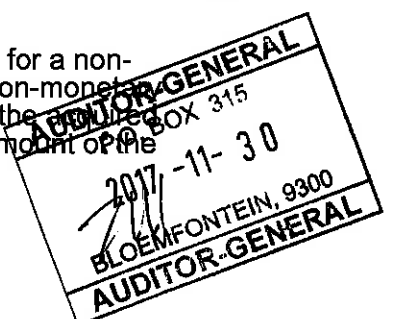
The cost of an item of property, plant and equipment is recognised as an asset when:

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

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

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

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





# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.4 Property, plant and equipment

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred

Subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also

Included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. No item of property plant and equipment are pledged as security for liabilities.

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

Item useful life		Average
Land no average	Straight line	indefinite-
Furniture and fixtures	Straight line	Useful life 1-10 years
Motor vehicles	Straight line	7-10 years
Office equipment	Straight line	3-5 years
Computer software	Straight line	3-5 years
Electricity years	Straight line	3-100
Roads	Straight line	5-100year
Water and sanitation 100years	Straight line	10-
Landfill Sites	Straight line	25years



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

# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.4 Property, plant and equipment

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

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

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

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

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

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

### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

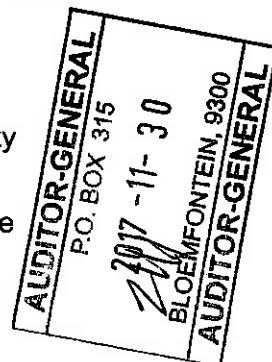
- (a) Subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results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

### 1.6 Financial instruments

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

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

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



# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.6 Financial instruments

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

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

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

- It is settled at a future date.

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

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

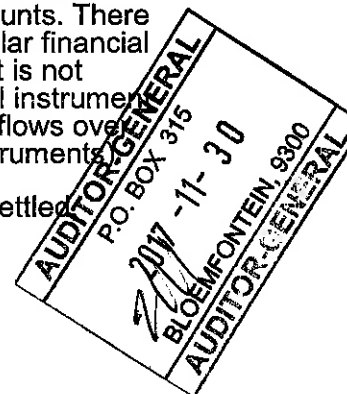
A financial asset is:

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

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

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.6 Financial instruments

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

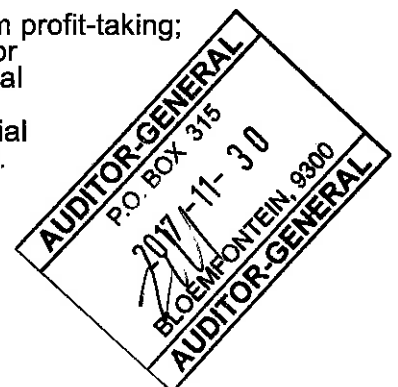
Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.6 Financial instruments

#### *Initial recognition*

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

The entity recognises financial assets using trade date accounting.

#### *Initial measurement of financial assets and financial liabilities*

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

#### *Subsequent measurement of financial assets and financial liabilities*

- The entity measures all financial assets and financial liabilities after initial recognition using the following categories: Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

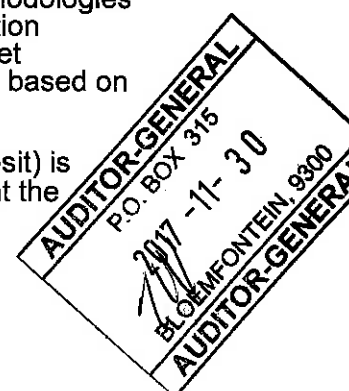
All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### *Fair value measurement considerations*

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.6 Financial Instruments

#### *Reclassification*

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- Combined instrument that is required to be measured at fair value; or
- An investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### *Gains and losses*

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

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

#### *Impairment and collectability of financial assets*

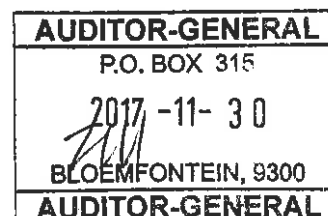
The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

#### *Financial assets measured at cost:*

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.7 Leases

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

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

#### *Finance leases - lessee*

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the state accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between finance cost and capital repayment using the effective interest rate method. The accounting policies relating to de-recognition of financial instrument are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce constant periodic rate on remaining balance of the liability.

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

#### *Operating leases - lessor*

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

#### *Operating leases - lessee*

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

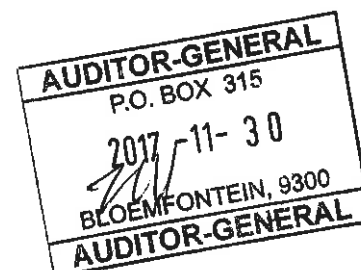
### 1.8 Inventories

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

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

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.8 Inventories

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

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

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

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

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

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

### 1.9 Impairment of cash-generating assets

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

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

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

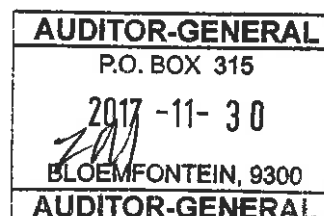
A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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





# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.9 Impairment of cash-generating assets

Useful life is either:

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

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

### 1.10 Employee benefits

#### *Short-term employee benefits*

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

Short-term employee benefits include items such as:

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

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

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

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

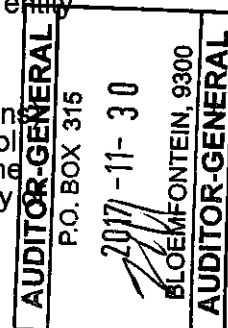
The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity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

#### *Post-employment benefits*

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

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.10 Employee benefits

*Post-employment benefits: Defined contribution plans.*

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

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

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

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

### 1.11 Commitments

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

*Disclosures are required in respect of unrecognised contractual commitments.*

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

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

### 1.12 Provisions and contingencies

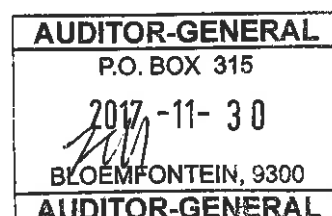
Provisions are recognised when:

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

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

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.12 Provisions and contingencies

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

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised.

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

Contingent assets and contingent liabilities are not recognised.

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

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

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

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

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

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

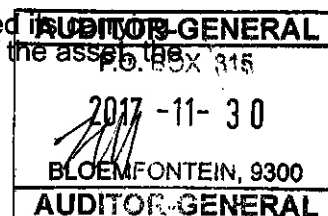
- the amount determined using in the Standard of GRAP, Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### *Decommissioning, restoration and similar liability*

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed the carrying amount of the asset. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.12 Provisions and contingencies

- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that
- the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9.

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

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

### 1.13 Revenue from exchange transactions

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

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

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

#### *Measurement*

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

#### *Sale of goods*

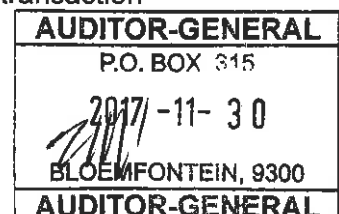
Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

#### *Rendering of services*

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.13 Revenue from exchange transactions

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

#### *Interest*

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

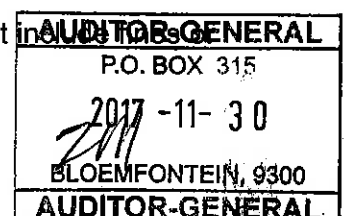
Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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

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

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

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



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.14 Revenue from non-exchange transactions

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

#### *Recognition*

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

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

#### *Measurement*

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

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

#### *Fines and Penalties*

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.15 Investment income

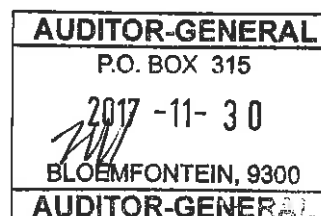
Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Irregular expenditure

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

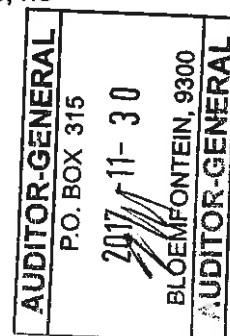
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.21 Use of estimates

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

### 1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### 1.23 Conditional grants and receipts

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

### 1.24 Budget information

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

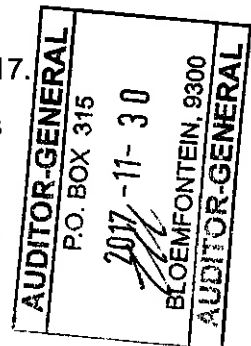
### 1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors,





# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.25 Related parties

Mayor, Committee members, Municipal Manager, directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### 1.26 Events after reporting date

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

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

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

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

### New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the standards prescribed by the Accounting Standards Board ([www.asb.co.za](http://www.asb.co.za)) and interpretations that are effective for the current financial year and that are relevant to its operations:

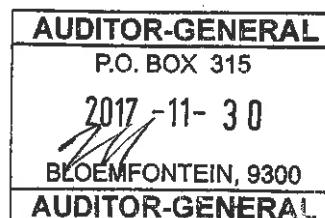
#### 2.2 Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 20: Related parties	Years beginning on or after 1 April 2017	The impact of the amendment is not material.

#### GRAP 108: Statutory Receivables

1. The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
2. It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.
3. The effective date of the standard is not yet set by the Minister of Finance.
4. The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard. The impact of the standard is set out in note Changes in Accounting Policy.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### GRAP 16 (as amended 2015): Investment Property

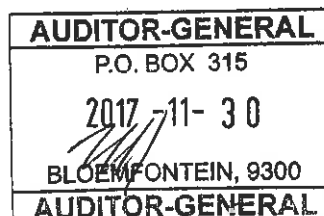
1. Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
2. Consider whether an indicator-based assessment of useful lives of assets could be introduced. Clarify the wording related to the use of external valuers.
3. Introduce more specific presentation and disclosure requirements for capital work-in-progress.
4. Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
5. Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.
6. Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016. The municipality has adopted the standard for the first time in the 2017 annual financial statements. The impact of the standard is set out in note Changes in Accounting Policy.

### GRAP 17 (as amended 2015): Property, Plant and Equipment

1. Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
2. Consider whether an indicator-based assessment of useful lives of assets could be introduced. Clarify the wording related to the use of external valuers.
3. Introduce more specific presentation and disclosure requirements for capital work-in-progress.
4. Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
5. Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.
6. Amendments identified as part of the post-implementation review, affected the following areas:
  - Indicator-based assessment of the useful lives of assets
  - Use of external valuers
  - Encouraged disclosures
  - Capital work-in-progress
  - Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016. The municipality has adopted the standard for the first time in the 2017 annual financial statements. The impact of the standard is set out in note Changes in Accounting Policy.



# Kopanong Local Municipality

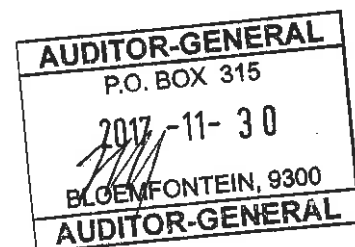
Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 20: Related parties	Years beginning on or after 1 April 2017	The impact of the amendment is not material.
GRAP 32: Service Concession Arrangements: Grantor	Years beginning on or after 1 April 2015	The impact of the amendment is not material.
GRAP 108: Statutory Receivables	Years beginning on or after 1 April 2015	The impact of the amendment is not material.
IGRAP17: Service Concession Arrangement where a Grantor Control a Significant Residual Interest in an Asset	Years beginning on or after 1 April 2015	The impact of the amendment is not material.



**Kopanong Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017  
**Notes to the financial statements**

**Note 3 – Property, Plant and Equipment**

(Figures in Rand)

PPE Category / Classes of property, plant and equipment	Cost / Valuation at 30 June 2017	Accumulated Depreciation and Impairment for the period ending 30 June 2017	Carrying Amount at 30 June 2017	Cost / Valuation at 30 June 2016	Accumulated Depreciation and Impairment for the period ending 30 June 2016	Carrying Amount at 30 June 2016
Land	67 532 097	-	67 532 097	67 532 097	-	67 532 097
Buildings	325 495 067	-168 009 301	157 485 766	324 597 080	-160 458 014	164 139 066
Infrastructure	1 610 787 207	-912 803 657	697 983 550	1 587 954 615	-882 245 607	705 709 008
Other PPE	18 011 558	-10 991 122	7 020 436	15 420 197	-9 918 044	5 502 153
Intangible Assets	153 831	-126 529	27 302	153 831	-106 426	47 405
	<b>2 021 979 760</b>	<b>-1 091 930 610</b>	<b>930 049 151</b>	<b>1 995 657 820</b>	<b>-1 052 728 090</b>	<b>942 929 729</b>

**Reconciliation of property, plant and equipment: 2017**

(Figures in Rand)

PPE Category / Classes of property, plant and equipment	Carrying Amount 30 June 2016	Additions	Work In Progress	Disposals	Depreciation	Impairment	Carrying Amount 30 June 2017
Land	67 532 098.00	-	-	-	-	-	67 532 098.00
Buildings	164 139 074	372 421.00	525 557.00	-	-7 551 287.00	-	157 485 765.00
Infrastructure	705 709 009	10 079 856.00	18 479 070.00	-2 920 279.00	-33 252 247.00	-111 861.00	697 983 550.00
Other PPE	5 502 154.00	3 289 050.00	-	-146 503.00	-1 612 879.00	-11 366.00	7 020 436.00
Intangible Assets	47 405.00	-	-	-	-20 103.00	-	27 302.00
	<b>942 929 740.00</b>	<b>13 741 329.00</b>	<b>19 004 627.00</b>	<b>-3 066 782.00</b>	<b>-42 436 516.00</b>	<b>-123 247.00</b>	<b>930 049 151.00</b>

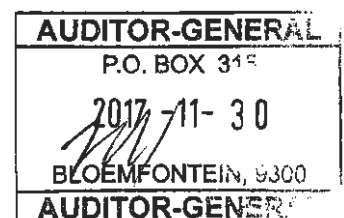
**Reconciliation of property, plant and equipment: 2016**

(Figures in Rand)

Reconciliation for 2016:	Carrying Amount 30 June 2015	Additions	Work In Progress	Disposals	Depreciation	Impairment	Carrying Amount 30 June 2016
Land	67 532 098	-	-	-	-	-	67 532 098
Buildings	158 691 982	5 590 949	7 707 062	-	-7 850 919	-	164 139 074
Infrastructure	685 776 580	32 254 279	33 229 050	-319 147	-45 231 751	-	705 709 011
Other PPE	7 839 204	179 560	-	-774 067	-1 724 050	-18 495	5 502 152
Intangible Assets	59 119	10 993	-	-	-22 707	-	47 405
	<b>919 898 983</b>	<b>38 035 781</b>	<b>40 936 112</b>	<b>-1 093 214</b>	<b>-54 829 427</b>	<b>-18 495</b>	<b>942 929 740</b>

**Pledged as security**

None of the property, plant and equipment have been pledged as security



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Reconciliation of the work-in-progress register: 2017

(Figures in Rand)

Particulars	Included with Infrastructure	Included with Buildings	Total
Opening balance	33 229 050	7 707 062	40 936 112
Additions/capital expenditure	28 558 928	897 987	29 456 915
Transferred to completed items	-10 079 858	-372 421	-10 452 279
<b>Total WIP at 30 June 2017</b>	<b>51 708 120</b>	<b>8 232 628</b>	<b>59 940 748</b>

### Reconciliation of the work-in-progress register: 2016

(Figures in Rand)

Particulars	Included with Infrastructure	Included with Buildings	Total
Opening balance	40 631 628	11 068 147	51 699 775
Additions/capital expenditure	24 851 700	2 229 864	27 081 564
Transferred to completed items	-32 254 278	-5 590 949	-37 845 227
<b>Total WIP at 30 June 2016</b>	<b>33 229 050</b>	<b>7 707 062</b>	<b>40 936 112</b>

#### Additional information:

In Reddersburg the municipal building burned down and the municipality submitted a claiming from the Insurance. The insurance will re-build the building to its original condition with the estimates of its original cost of R 4 457 447.35. The total costs of repairs and maintenance is still unknown and will be disclosed as soon as the final completion certificate is received from the insurance.

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

#### Note 4 – Employee benefits

Employee benefit obligations Defined benefit plan

The plan is a post-employment medical benefit plan.

The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

#### Post-retirement medical aid plan

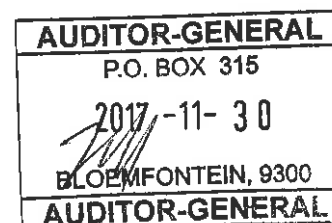
General description

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the medical scheme.

Post-retirement benefit plan

#### Financial Assumptions

Discount rate	8.25%	8.25%
CPI (consumer price inflation)	6.43%	6.43%
Net effective discount rate	0.76%	0.76%
Medical Aid Contribution rate	7.43%	7.43%



# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Note 4 – Employee benefits

The next salary increase was assumed to take place on 1 January 2018.

#### Demographic Assumptions

Average retirement age	65	65
Post retirement gratuity plan		

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

Carrying value - Post Medical Aid

Benefits	2017	2016
Present value of the defined benefit obligation-wholly unfunded	-7 055 000	-6 363 000
Present value of the defined benefit obligation-partly or wholly funded	-563 000	-574 000
Fair value of plan assets	-101 000	-53 000
Fair value of reimbursement rights	588 000	-563 000
Actuarial gain	415 000	498 000
Carrying value at 30 June 2017	-6 716 000	-7 055 000

The municipality's accrued unfunded liability at the 30 June 2016 is estimated at R7 055 000. The current liability for the year ending 30 June 2017 is estimated at R6 716 000.

Years of completed years of service	Long service / long leave award (working days)	Long service bonus awards (% of annual salary)	Total long service benefit award (% of annual salary)	Formula used to calculate Total long service benefit award
5	5	2%	4%	(5/250+2%)
10	10	3%	7%	(10/250+3%)
15	15	4%	10%	(15/250+4%)
20	15	5%	11%	(15/250+5%)
25, 30, 35, 40 and 45	15	6%	12%	(15/250+6%)

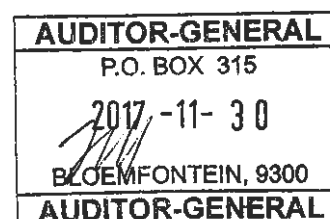
#### Carrying value - Post Medical Aid Benefits

##### Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.



# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Note 4 – Employee benefits

Financial Variables - The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables

#### Financial variable

((Figures in Rand)

	2017	2016
Discount Rate	Yield Curve (Difference between nominal and real yield curve]	Yield Curve (Difference between nominal and real yield curve]
CPI (Consumer Price Inflation)	Equal to CPI+1%	Equal to CPI+1%
Normal Salary Increase Rate	Yield Curve Based**	Yield Curve Based**

Normal salary inflation rate: We have derived the underlying future rate of consumer price index (CPI Inflation) from the relationship between the (yield curve based) inflation linked bond rates for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of the 6.79%. As at the time previous year's year rate of 6.79% is still relevant in this year's valuation. The next salary increase was assumed to take place on 1 January 2018.

#### Discount rate

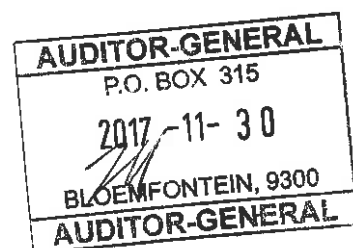
Discount Rate: GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

#### Withdrawal rates from the service

#### Demographic Assumptions

Average retirement age	65
New members joining since previous valuation	13
Employees leaving service since the previous valuation	32
Mortality during employment	SA 85-90



# Kopanong Local Municipality

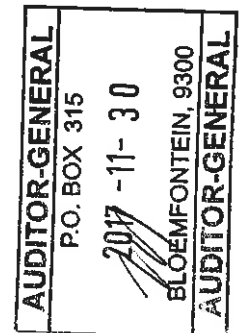
Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Note 4 – Employee benefits

The following table sets out the assumed rates of withdrawal from service:

Age band	Withdrawal Rate – Males	Withdrawal Rate - Females
20 – 24	16%	24%
25 – 29	12%	18%
30 – 34	10%	15%
35 – 39	8%	10%
40 – 44	6%	6%
45 – 49	4%	4%
50 – 54	2%	2%
55 – 59	1%	1%
60 +	- %	- %



Demographic assumptions are required to estimate the changing profile of current employees who are eligible for long service leave award benefits.

Pre-retirement Mortality: SA85 90 ultimate table, adjusted for female lives. Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below. Average Retirement Age: The normal retirement age of employees is 65. It has been assumed that in service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

Reconciliation of the present value obligation	Current Valuation Date 30-06-2017	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous valuation date	R 7 055 000	R 6 716 000	R 6 811 000	R 6 896 000
Current Service Cost	R 101 000	R 47 000	R 52 000	R 57 000
Interest Cost	R 563 000	R 656 000	R 665 000	R 677 000
Benefits Paid *	R -588 000	R -608 000	R -632 000	R -571 000
Actuarial Loss / (Gain)	R -415 000	R 0	R 0	R 0
PV of the obligation as at the current valuation date	R 6 716 000	R 6 811 000	R 6 896 000	R 7 059 000

### Reconciliation of the carrying value - Long Service Bonus

(Figures in Rand)

	2017	2016
	Figures in Rand	Figures in Rand
Present value of the defined benefit obligation-wholly unfunded	-6 871 208	-6 366 000
Current Service Cost (As calculated at 30 June 2017)	-757 304	-815 000
Interest Cost (As calculated at 30 June 2017)	-557 343	-580 000
Benefits Paid *	1 155 000	388 000
Actuarial gain	-322 145	501 792
Carrying value at 30 June 2017	-7 353 000	-6 871 208



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Note 4 – Employee benefits

The municipality's accrued unfunded liability at the 30 June 2016 is estimated at R6 8 71 208. The current liability for the year ending 30 June 2017 is estimated at R7 353 000. The current costs in this regard are estimated to be R757 304.

### Note 5 – Inventories

	2017	2016
	Figures in Rand	Figures in Rand
Water	30 404	22 139
Game	8 000	8 000
Stationery	54 848	49 719
<b>Value of inventory at 30 June 2017</b>	<b>93 252</b>	<b>79 858</b>

Water Inventory: The tariff of treated water tariff is R6.80 per KL as approved by Bloemwater (water board) none of the inventory is pledged as security

### Note 6 – Other Receivables from exchange transactions

	2017	2016
	Figures in Rand	Figures in Rand
Trade debtors	0	0
Other Receivables from exchange transactions	4 153 666	1 513 681
Creditors with negative balances	28 898	35 125
Grants on debit	0	2 146 307
<b>Other receivables from exchange transactions</b>	<b>4 182 564</b>	<b>3 695 113</b>

Trade and other receivables pledged as security

None of the debtors have been pledged as security during the current year.

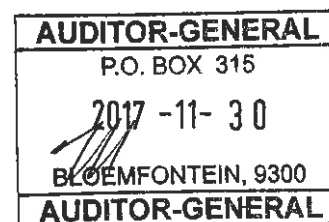
Credit quality of trade and other receivables

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

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

Trade and other receivables past due but not impaired

None of the debtor's amount is past due.



### 7.Receivables from non-exchange transactions

	2017	2016
	Figures in Rand	Figures in Rand
Consumer debtors - Other (Specified)	23 290 659	21 535 889
Less: Allowance Impairments	-20 415 343	-15 207 530
	<b>2 875 316</b>	<b>6 328 359</b>

# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 7. Receivables from non-exchange transactions

Receivables from non-exchange transactions have not been pledged as security

Aging: 30 June 2017	Consumer Debtors	Industrial / Commercial Debtors	Government debtors	Total debtors balance at 30 June 2017
Current debt (0 - 30 days)	1 256 870	1 171 333	290 000	1 256 870
31 - 60 days debt	1 201 578	0	189 000	1 201 570
61 - 90 days debt	1 205 687	0	168 000	1 205 687
91 - 120 days debt	1 199 754	0	242 600	3 625 754
121 - 365 days debt	16 618 556	0	358 240	16 000 770
<b>Gross Debtors at 30 June 2017</b>	<b>21 482 445</b>	<b>1 171 333</b>	<b>1 247 840</b>	<b>23 290 659</b>
Less: Allowances for impairment	-19 447 505	-458 797	0	-20 415 343
<b>Net debtors at 30 June 2017</b>	<b>2 034 940</b>	<b>712 536</b>	<b>1 247 840</b>	<b>2 875 316</b>

Aging: 30 June 2016	Consumer Debtors	Industrial / Commercial Debtors	Government debtors	Total debtors balance at 30 June 2016
Current debt (0 - 30 days)	0	1 057 987	139 000	1 196 987
31 - 60 days debt	0		97 000	97 000
61 - 90 days debt	0	0	97 000	97 000
91 - 120 days debt	8 103 066	0	1 699 000	9 802 066
121 - 365 days debt	6 146 468	0	4 196 368	10 342 836
<b>Gross Debtors at 30 June 2016</b>	<b>14 249 534</b>	<b>1 057 987</b>	<b>6 228 368</b>	<b>21 535 889</b>
Less: Allowances for impairment	-14 158 045	-1 049 485	0	-15 207 530
<b>Net debtors at 30 June 2016</b>	<b>91 489</b>	<b>8 502</b>	<b>6 228 368</b>	<b>6 328 359</b>

### Reconciliation of the allowance for impaired debtors' accounts

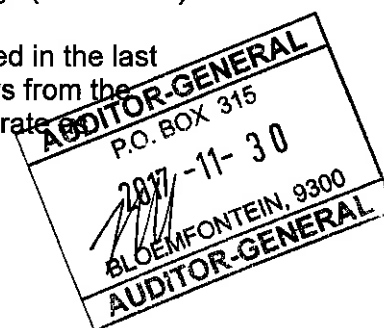
	2017	2016
	Figures in Rand	Figures in Rand
Balance at beginning of the year	15 207 530	6 328 359
Contributions to allowance	5 208 000	-21 535 889
Debt impairment written off against allowance	-	-
	20 415 530	-15 207 530

### Receivables from non-exchange transactions

Credit quality of receivables from non-exchange transactions

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

None of the financial assets that are fully performing have been renegotiated in the last year. It is council's policy to raise interest charges on accounts past 30 days from the payment date and such charges are raised at 2% above the prime lending rate published by the South African Reserve Bank from time to time



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 7. Receivables from non-exchange transactions

#### Receivables from non-exchange transactions debtors impaired

As of 30 June 2017, Receivables from non-exchange transactions debtors of R23 290 659 (2016: R 21 535 889) were impaired and provided for the amount of the provision was R 20 415 530 as of 30 June 2017 (2016: R 15 207 530).

	2017	2016
<b>8. VAT receivable</b>		
VAT	2 464 852	2 655 129

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

Not all VAT returns were submitted by the due date.

The municipality accounts for VAT on the payment basis.

### 9. Receivables from exchange transactions

#### Gross balances

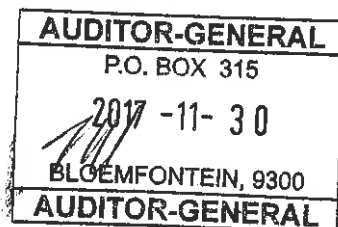
Electricity	6 593 559	3 463 323
Water	78 223 896	72 074 364
Sewerage	44 863 070	34 976 711
Refuse	32 386 631	25 151 234
Housing Rental	4 035 357	3 728 391
Sundry Debtors	1 856 400	1 677 008
	167 958 913	141 071 031

#### Less: Allowance for impairment

Water	-66 731 582	-62 341 356
Sewerage	-40 584 857	-34 393 432
Refuse	-29 311 705	-24 765 559
Housing rental	-3 821 541	-3 007 409
Sundry Debtors	-1 277 164	-304 753
	-141 726 849	-124 812 509

#### Net balance

Electricity	6 593 559	3 463 323
Water	11 492 314	9 733 008
Refuse	3 074 926	385 675
Housing rental	218 267	720 982
Sewerage	4 278 213	583 279
Sundry Debtors	579 236	1 372 255
	26 236 515	16 258 522



# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 9. Receivables from exchange transactions

Included in above is receivables from exchange transactions

Electricity	-	6 177 281
Water	71 876 712	64 249 447
Sewerage	44 476 774	34 976 711
Refuse	31 979 572	25 151 234
Sundry debtors	1 644 942	1 738 418
Housing rental	4 035 357	3 728 391
	<b>154 013 357</b>	<b>136 021 482</b>
Net balance	154 013 357	136 021 482

#### Electricity

31 - 60 days	1 676 413	1 651 480
61 - 90 days	701 924	530 650
91 - 120 days	227 493	650 781
121 - 365 days	3 987 729	630 412
	6 593 559	3 463 323

#### Water

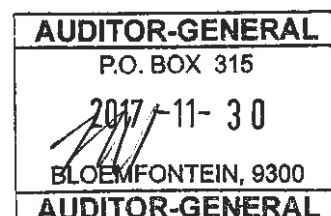
Current (0 -30 days)	2 904 703	3 452 106
31 - 60 days	2 046 515	2 533 375
61 - 90 days	1 758 933	2 426 076
91 - 120 days	2 098 746	2 362 751
121 - 365 days	69 414 999	61 300 056
Less: Provisions for Impairments	-66 731 582	-62 341 356
	11 492 314	9 733 008

#### Sewerage

Current (0 -30 days)	1 396 708	1 377 957
31 - 60 days	1 252 590	981 720
61 - 90 days	1 187 125	950 436
91 - 120 days	1 179 576	919 824
121 - 365 days	39 847 071	30 746 774
Less: Provision for impairment	-40 584 857	-34 393 432
	4 278 213	583 279

#### Refuse

Current (0 -30 days)	1 011 302	901 031
31 - 60 days	906 829	709 414
61 - 90 days	859 717	687 097
91 - 120 days	852 148	666 733
121 - 365 days	28 756 635	22 186 959
Less: Provision for impairment	-29 311 705	-24 765 559
	3 074 926	385 675

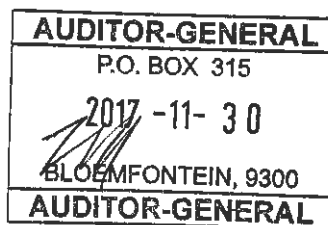


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

	2017	2016
<b>9. Receivables from exchange transactions</b>		
Current (0 -30 days)	54 778	48 572
31 - 60 days	43 597	41 411
61 - 90 days	40 753	38 818
91 - 120 days	41 018	39 088
121 - 365 days	3 859 661	3 560 502
Less: Provision for impairment	-3 821 540	-3 007 409
	<b>218 267</b>	<b>720 982</b>
Sundry debtors included with trade receivable from exchange transactions		
Current	-	2 769
31 - 60 days	9 607	2 865
61 - 90 days	9 607	2 983
91 - 120 days	9 607	2 956
121 - 365 days	1 827 579	1 665 435
Less: Allowance for Impairments	-1 277 164	-304 753
	<b>579 236</b>	<b>1 372 255</b>
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	6 346 485	4 879 295
31 - 60 days	4 901 657	4 558 493
61 - 90 days	4 441 831	4 421 851
91 - 120 days	4 745 254	4 188 165
121 - 365 days	147 474 138	120 012 193
	<b>167 909 365</b>	<b>138 059 997</b>
Less: Allowance for Impairment	-140 867 850	-124 752 639
	<b>27 041 515</b>	<b>13 307 358</b>
Industrial/ commercial		
Current (0 -30 days)	257 436	115 909
31 - 60 days	122 813	100 366
61 - 90 days	112 610	98 729
91 - 120 days	201 699	94 664
121 - 365 days	2 840 563	2 299 670
	<b>3 535 121</b>	<b>2 709 338</b>
National and provincial government		
Current (0 -30 days)	13 085	9 141
31 - 60 days	11 278	9 367
61 - 90 days	11 288	9 579
91 - 120 days	11 492	9 737
121 - 365 days	483 008	359 693
	<b>530 151</b>	<b>397 517</b>
Total		



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

	2017	2016
<b>9. Receivables from exchange transactions</b>		
Current (0 -30 days)	6 603 921	5 004 345
31 - 60 days	5 037 549	4 668 226
61 - 90 days	4 565 729	4 431 430
91 - 120 days	150 797 709	4 292 566
121 - 365 days	904 457	122 671 556
	<b>167 909 365</b>	<b>141 068 123</b>
Less: Allowance for impairment	-141 672 850	-64 678 036
	26 236 515	76 390 087
Less: Allowance for impairment		
31 - 60 days	-66 731 582	-62 341 356
61 - 90 days	-40 584 857	-34 393 433
91 - 120 days	-29 311 705	-24 765 558
121 - 365 days	-3 871 541	-3 007 409
> 365 days	-1 227 163	-304 753
	<b>-141 726 848</b>	<b>-124 812 509</b>
Reconciliation of allowance for impairment		
Balance at beginning of the year	-124 812 509	-72 547 027
Contributions to allowance	-42 478 833	-66 994 043
Debt impairment written off against allowance	25 564 493	14 728 561
	<b>-141 726 849</b>	<b>-124 812 509</b>

Consumer debtors pledged as security

Receivables from exchange transactions have not been pledged as security.

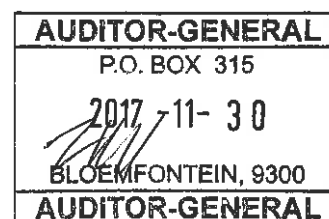
Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year. It is council's policy to raise interest charges on accounts past 30 days from the payment date and such charges are raised at 2% above the prime lending rate as published by the South African Reserve Bank from time to time

### Consumer debtors impaired

As of 30 June 2017, consumer debtors of R 167 474 138 (2016: R 138 059 997) were impaired and provided for the amount of the provision was R 140 867 850 as of 30 June 2017 (2016: R 124 752 639).



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 10. Cash and cash equivalents

2017

2016

#### Cash and cash equivalents consist of:

Cash on hand	20 000	30 304
Bank balances	1 104 941	369 137
Short-term deposits	937 163	513 126
	<b>2 062 104</b>	<b>912 567</b>

#### Short term deposits

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Account number / description	Bank statement balances		Cash book balances			
	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-17	30-Jun-16	30-Jun-15
FNB Business cheque account	936 972	83 756	100 780	893 682	62 974	85 828
Standard bank Business Cheque account 04 191 730 8	98 936	60 779	15 944	98 936	60 779	15 944
ABSA BUSINESS Cheque account 246 014 2140	10 035	10 130	11 746	10 035	10 130	11 746
Post Bank Current Account 88133677	102 288	235 254	157 326	102 288	235 254	157 326
Total	1 148 231	389 919	285 796	1 104 941	369 137	270 844

The municipality did not have an overdraft facility at 30 June 2017

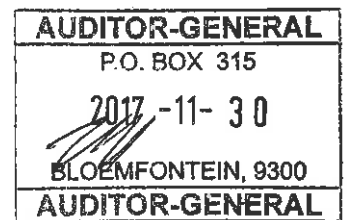
### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure grant	578 435	1 060 978
DWA National Transfers programme	3 492 847	3 492 847
Water operating Grant-DWA	13 108 185	1 309 384
	<b>17 179 467</b>	<b>5 863 209</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note 21 for reconciliation of grants from National/Provincial Government.



# Kopanonong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

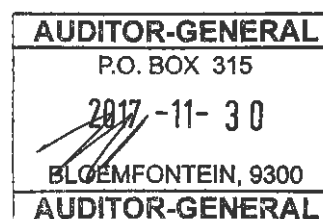
## Notes to the financial statements

### 11. Unspent conditional grants and receipts

These amounts are deposited in call accounts for future use. The amounts will be recognised as revenue when the conditions have been met.

### 12. Long-term liabilities

	2017	2016
Long term liabilities		
Mangaung 3	62 130	69 896
Road and public area lighting projects		
Mangaung 4	1	1
Replacement of domestic/commercial meters		
Mangaung 5	88 203	132 891
Upgrading low voltage network		
Mangaung 6	107 127	122 431
Kopanonong ext. upgrade and improvement of low voltage network		
Mangaung 7	126 702	144 803
Kopanonong electrification		
Mangaung 8	249 730	261 364
Kopanonong High mast lighting		
Mangaung 9	168 114	192 130
Kopanonong high mast lights		
Mangaung 12	467 352	525 771
Improvement of low voltage network		
	<b>1 269 359</b>	<b>1 449 287</b>
<b>Total other financial liabilities</b>	<b>1 269 359</b>	<b>1 449 287</b>
<b>Non-current liabilities</b>		
At amortised cost	1 089 431	1 269 359
<b>Current liabilities</b>		
At amortised cost	179 928	179 928





# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Note 13 – Provisions

#### Reconciliation of provisions - 2017

Particulars	Opening Balance	Interest	Change in discount factor	Closing balance
Rehabilitation of landfills sites	9 157 540	330 266	Nil	9 487 806

#### Reconciliation of provisions - 2016

Particulars	Opening Balance	Interest	Change in discount factor	Closing balance
Rehabilitation of landfills sites	8 328 821	828 719	0	9 157 540

#### Landfill site disclosure

##### Jagersfontein

The landfill sites of Jagersfontein are not licensed. The record of decision was not approved due to high water ground table. The municipality is busy with identifying the alternative site and to change the current landfill sites to a transfer station that does not need to be licensed

##### Fauresmith

The landfill sites of Fauresmith are not licensed. The municipality is busy constructing a new transfer station which does not require licensing. Once the project is completed the old site will be closed and rehabilitated.

##### Edenburg

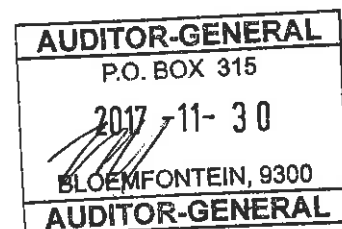
The landfill sites of Edenburg are not licensed. The transfer station is completed and currently completing the landfill site in Reddersburg where the waste will be transferred

The rates used for calculation of landfill site for provision is 10.26%. All landfill sites has a remaining useful life of 22 years

#### Environmental rehabilitation provision

The rehabilitation requirement as per the minimum Requirement for waste disposal by landfill (DWAF, 1998) creates an obligation for the municipality for future expenditure which is provided for.

The provision was determined by an independent expert for the rehabilitation cost in 2016 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate for the entire all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 9.95% for the circumstances.

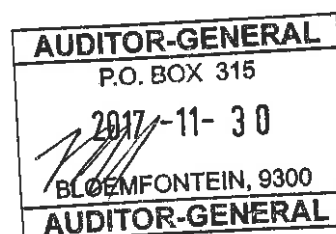


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

	2017	2016
<b>14. Payables from exchange transactions</b>		
Trade payables	209 582 147	158 326 227
Payments received in advance	10 573 658	9 568 937
Unallocated Deposits	3 008 101	401 136
Accrued leave pay	6 784 322	7 342 402
Accrued bonus	2 385 345	2 175 789
Deposits received	14 665	14 665
Salaries payables	59 130 474	36 176 724
Grants Spent DAW	-	2 146 326
	<b>291 442 675</b>	<b>227 856 805</b>
<b>15. Consumer deposits</b>		
Water and electricity	4 008 370	3 102 602
<b>16. Revenue</b>		
Sale of goods	374 024	669 882
Service charges	103 510 038	108 396 630
Rental of facilities and equipment	364 459	968 848
Fees earned	3 966	3 785
Rental income	805 413	136 704
Sundry income	1 391 432	722 148
Interest received - investment	12 990 602	9 636 481
Property rates	16 134 160	13 952 421
Government grants & subsidies	103 907 380	115 329 459
Fines, Penalties and Forfeits	34 048	124 534
	<b>239 515 522</b>	<b>249 940 892</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Sale of goods	374 024	669 882
Service charges	103 510 038	108 396 630
Rental of facilities and equipment	364 459	968 848
Fees earned	3 966	3 785
Rental income	805 413	136 704
Sundry Income	1 391 432	722 148
Interest received - investment	12 990 602	9 636 481
	<b>119 439 934</b>	<b>120 534 478</b>



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 16. Revenue (continued)

	2017	2016
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
Property rates	16 134 160	13 952 421
Transfer revenue		
Government grants & subsidies	103 907 380	115 329 459
Fines, Penalties and Forfeits	34 048	124 534
	<b>120 075 588</b>	<b>129 406 414</b>
<b>17. Service charges</b>		
Sale of electricity	58 977 652	54 678 682
Sale of water	23 292 670	34 480 345
Sewerage and sanitation charges	12 286 690	11 206 791
Refuse removal	8 953 026	8 030 812
	<b>103 510 038</b>	<b>108 396 630</b>
<b>18. Other revenue</b>		
Fees earned	3 966	3 785
Rental income - third party	805 413	136 704
Sundry Income	1 391 432	722 148
	<b>2 200 811</b>	<b>862 637</b>
<b>19. Investment revenue</b>		
Interest revenue		
Bank	1 041 039	730 346
Interest received – other	11 949 563	8 906 135
	<b>12 990 602</b>	<b>9 636 481</b>
	12 990 602	9 636 481
<b>20. Property rates</b>		
<b>Rates received</b>		
Residential	13 462 471	11 905 001
Commercial	3 639 832	2 839 560
State	14 521 901	13 627 252
Small holdings and farms	9 866 202	9 090 012
Less: Income forgone	-25 356 246	-23 509 404
	<b>16 134 160</b>	<b>13 952 421</b>

The following information relates to the different categories:

#### **Business/Commercial**

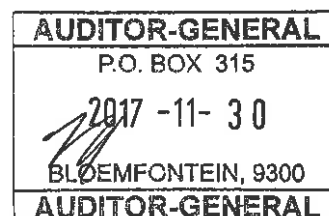
Tariff for 2017 are R0.01464 00 (2016 R0.01331)

#### **Residential**

Tariffs for 2017 are R0.01464 00 (2016 R0.01331)

#### **Agricultural - Normal**

Tariff for 2017 are R0.0214 (2016 R0.00194).



# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 20. Property rates

	2017	2016
	R	R

#### State - Owned (Government Agriculture

Tariff for 2017 are R0.00194 (2016 R0.00214)

#### Indigents

Tariff for 2017 are R0.00 (2016 R0.00)

#### Valuations

Church	48 074 000	48 074 000
Commercial	202 432 750	202 432 750
Empty site, no tariff and municipal property	317 002 529	317 002 529
Hospital	6 800 000	6 800 000
Residential	822 484 570	822 484 570
School	87 709 000	87 709 000
Small holdings and farms	18 563 296 270	18 563 296 270
Government	189 051 100	189 051 100
Less: Income forgone	-6 307 420	-6 307 420
	<b>20 230 542 799</b>	<b>20 230 542 799</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The valuation was extended for one year.

	2017	2016
	R	R

### 21. Government grants and subsidies

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

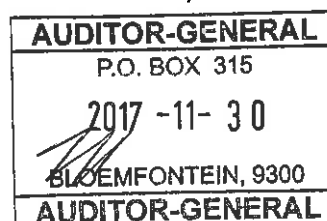
#### Operating grants

Equitable share	68 363 000	78 370 000
Capital grants		
Government grant	35 544 380	36 959 459
	68 363 000	78 370 000
	35 544 380	36 959 459
	<b>103 907 380</b>	<b>115 329 459</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The following Rollover over amount not approved were offset against equitable share:

The total amount of R2 287 000 of unspent which is made up of (MIG R148 978, MWIG R1 309 384.48, INEP R828 637.52)



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 21. Government grants and subsidies

#### Municipal Infrastructure grant

	2017 Figures in Rand	2016 Figures in Rand
Balance unspent at beginning of year	1 060 978	1 763 071
Current-year receipts	19 977 000	21 054 093
Conditions met - transferred to revenue	-20 310 565	-21 756 186
Roll Over not approved	-148 978	-
	<b>578 435</b>	<b>1 060 978</b>

Conditions still to be met - remain liabilities (see note 11).

In terms of the Constitution, this grant is used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### Municipal systems Improvement

Balance unspent at beginning of year	-	57 255
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	-987 255
	-	-

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, the Municipal Property Rates Act and related legislation

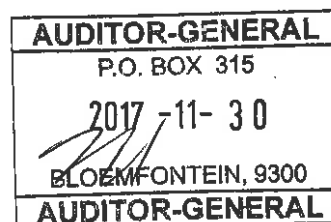
#### DWA National Transfers programme

	2017 Figures in Rand	2016 Figures in Rand
Balance unspent at beginning of year	3 492 847	3 492 847
Conditions still to be met - remain liabilities (see note 11).		

#### Expanded Public Works programme

Current-year receipts	1 155 000	1 363 000
Conditions met - transferred to revenue	-1 155 000	-1 363 000
	-	-

The EPWP is a nationwide programme covering all spheres of government and state-owned enterprises. The Programme provides an important avenue for labour absorption and income transfers to poor households in the short to medium-term. It is also a deliberate attempt by the public sector bodies to use expenditure on goods and services to create work opportunities for the unemployed. Provide explanations of conditions still to be met and other relevant information.



# Koponong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 21. Government grants and subsidies

2017  
Figures in Rand

2016  
Figures in R

#### Municipal Infrastructure grant

Current-year receipts	2 346 070	5 960 752
Conditions met - transferred to revenue	-2 346 070	-5 960 752

To develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new, refurbish, upgrade and replace ageing waste water infrastructure of regional significance; to pilot regional Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements.

#### Department of COGTA (In Kind)

Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	-3 000 000

#### Water operating grant

Balance unspent at beginning of year	1 309 384	1 309 384
Roll over not approved.	-1 309 384	-
	-	<b>1 309 384</b>

#### Integrated Electrification Programme

Current-year receipts	5 000 000	1 600 000
Conditions met - transferred to revenue	-5 000 000	-1 600 000

To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

#### Financial management grant

Conditions met - transferred to revenue	1 625 000	1 600 000
Other	-1 625 000	-1 600 000

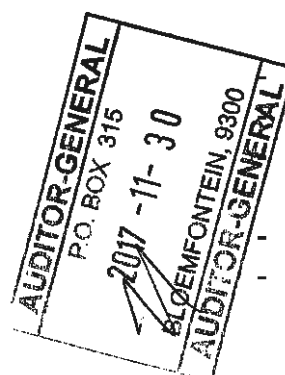
In terms of the constitution, this grant is used to assist and support the implementation of the financial management reforms attendance at accredited training sessions and capacity building programmes on financial management.

#### SETA Educational Grant

Current-year receipts		156 877
Conditions met - transferred to revenue		-156 877

#### Provincial DME (Centlec Grant expenditure)

Current-year receipts		1 294 737
Conditions met - transferred to revenue		-1 294 737



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 21. Government grants and subsidies

2017  
Figures in Rand

2016  
Figures in Rand

#### Municipal Infrastructure grant

Current-year receipts	20 562 000	-
Conditions met - transferred to revenue	-7 453 815	-
	<b>13 108 185</b>	-

Conditions still to be met - remain liabilities (see note 11).

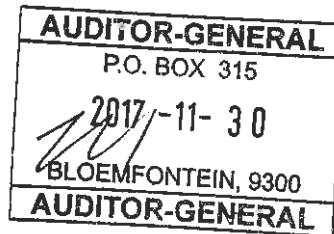
To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation services that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions; to support drought relief projects in affected municipalities.

#### Integrated National Electrification programme (INEP)

Balance unspent at beginning of year	828 637	-
Roll over not approved.	-828 637	-
Conditions met - transferred to revenue	-	-

### 22. Employee related costs

	2017 Figures in Rand	2016 Figures in Rand
Basic	68 576 146	63 489 291
Bonus	5 959 651	5 414 230
UIF	432 652	401 424
SDL	865 860	807 848
Overtime payments	2 039 440	1 699 584
Car allowance	4 350 365	4 707 621
Housing benefits and allowances	212 346	210 767
Holiday Bonus	209 556	10 716
Industrial Council Contributions	78 811	39 904
Medical Aid Contributions	6 099 981	6 297 516
Pension Fund Contributions	11 666 036	11 564 048
Cellphone Allowance	1 058 798	596 507
Other Allowance	1 431 333	1 478 503
	<b>102 980 975</b>	<b>96 717 959</b>



#### Remuneration of Municipal Manager

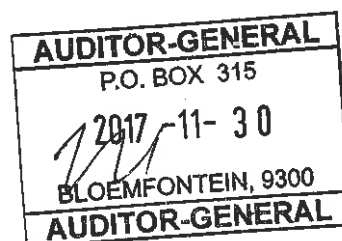
Annual Remuneration	861 125	748 941
Car Allowance		
Bonuses	180 000	62 412
Contributions to UIF, Medical and Pension Funds	71 375	-
Annual Leave	226 211	180 000
Other	-	36 464
		<b>204 566</b>

# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

	<b>1 338 711</b>	<b>1 232 383</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration Car Allowance	561 276	625 668
Bonuses and Leave	88 200	52 139
Contributions to UIF, Medical and Pension Funds	313 681	29 627
Other	124 530	96 000
Other	-	21 600
	-	176 293
	<b>1 087 687</b>	<b>1 001 327</b>
<b>Remuneration of Head of Technical Services</b>		
Annual Remuneration Car Allowance	715 998	629 260
Bonuses	120 000	55 536
Contributions to UIF, Medical and Pension Funds	59 408	28 488
Other	150 017	120 000
	-	132 631
	<b>1 045 423</b>	<b>965 915</b>



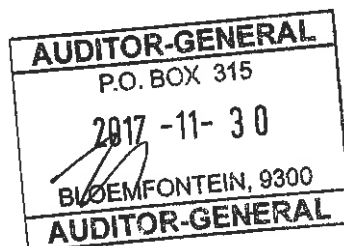


# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

	2017	2016
	R	R
<b>22. Employee related costs (continued)</b>		
<b>Remuneration of Head of Corporate services</b>		
Annual Remuneration	755 090	666 437
Car Allowance	72 000	55 536
Bonuses	62 506	28 488
Contributions to UIF, Medical and Pension Funds	157 651	72 000
Other	-	140 357
	<b>1 047 247</b>	<b>962 818</b>
<b>Remuneration of Head of Community services</b>		
Annual Remuneration	579 019	543 377
Car Allowance	176 000	45 281
Performance Bonuses	134 230	28 488
Contributions to UIF, Medical and Pension Funds	157 002	180 000
Other	-	12 000
Other	-	153 673
	<b>1 046 251</b>	<b>962 819</b>



### 23. Remuneration of councillors

	2017	2016
	R	R
Mayor	736 940	609 090
Speaker	631 377	475 484
Chief Whip	253 038	280 331
Councillors	3 108 565	2 489 634
	<b>4 729 920</b>	<b>3 854 539</b>

Mayor and Speaker are full time members. They are provided with an office, administrative and secretarial support at the cost of the council.

Chief Whip and councillors are part-time members. They are not provided with an office. They are however allowed to utilise the satellite offices (units) for administrative duties related to their duties.

### The following is the particulars of the remuneration to members of council

#### Mayor XT Matwa

Annual Remuneration	447 864	431 361
Travel, Cell phone, Over-sight Allowance	200 241	93 971
Contributions to UIF, Medical and Pension Funds	88 835	83 758
	<b>736 940</b>	<b>609 090</b>

#### Speaker KE Dlomo

Annual Remuneration	497 428	344 450
Travel, Cell phone, Over-sight Allowances	40 891	131 033
Contributions to UIF, Medical and Pension Funds	93 058	0
	<b>631 377</b>	<b>475 483</b>

# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 23. Remuneration of councillors

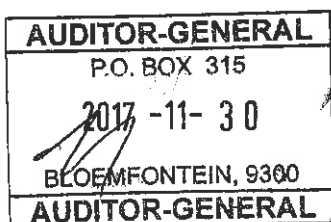
Annual Remuneration	158 109	232 753
Travel, Cell phone, Over-sight Allowances	77 650	20 868
Contributions to UIF, Medical and Pension Funds	17 280	26 709
	253 039	280 330

### Councillors

Annual Remuneration	2 517 277	1 954 719
Travel, Cell phone, Over-sight Allowances	483 402	340 407
Contributions to UIF, Medical and Pension Funds	107 887	194 503
	3 108 566	2 489 629

Total remuneration to Kopanong Councillors in 2016/17 = R4 729 924 (2016: R3 854 448)

	Annual Remuneration	Travel, cellular telephone, Over-sight Allowances	Contributions to UIF, Medical and Pension Funds	Total
Phafudi T.A	145 106	78 098	21 766	244 970
Basholo P.D	234 828	20 868	34 881	290 577
Jan N.M	199 653	20 448	-	220 101
Makoa L	199 653	20 448	-	220 101
Moeketsi M.J	182 662	20 448	11 813	214 923
May L.M	199 653	20 448	-	220 101
Mjika M.E	199 653	20 448	-	220 101
Moitse M.J	199 653	20 448	-	220 101
Phoba M	199 653	20 448	-	220 101
Rasoeu L.G	199 653	20 448	-	220 101
Shebe H	220 103	95 038	-	315 141
Smit B	158 109	77 650	17 280	253 039
Sola S.A	199 441	80 963	27 544	307 948
Matwa T.X	447 864	200 241	88 835	736 940
Dlomo K.E	456 380	22 800	85 737	564 917
Hagemaan	16 120	8 261	1 744	26 125
Matseo	16 120	8 261	1 744	26 125
Rigala	24 771	2 533	-	27 304
Kobe/Spocghter	16 765	8 714	1 744	27 223
Koyana	23 819	2 319	-	26 138
Phepeng	18 479	5 652	1 999	26 130
Masana Speaker	41 047	18 091	7 321	66 459
Stuurman	21 493	9 114	4 651	35 258
	3 620 678	802 187	307 059	4 729 924



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 24. Administrative expenditure

Administration and management fees - third party	2 200 654	2 122 552
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### 25. Depreciation and amortisation

Property, plant and equipment	42 559 762	54 847 872
-------------------------------	------------	------------

### 26. Finance costs

Non-current borrowings	324 857	162 922
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### 27. Debt impairment

Contributions to debt impairment provision	42 478 833	61 581 833
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The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.

### 28. Bulk purchases

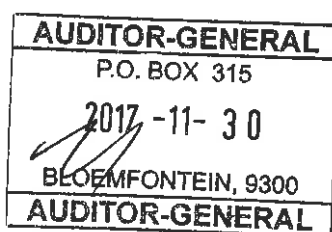
Electricity	46 682 663	46 385 805
Water	39 670 086	32 126 851
	<b>86 352 749</b>	<b>78 512 656</b>

### 29. Contracted services

Other Contractors	-	648 566
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### 30. General expenses

Accounting fees	106 400	224 123
Advertising	125 447	102 551
Auditors remuneration	3 178 877	3 274 382
Bank charges	340 802	338 966
Cleaning	37 295	28 322
Commission paid	90 306	-88 782
Consulting and professional fees	1 648 829	510 567
Entertainment	77 442	42 335
Insurance	429 410	500 044
Community development and training	5 300	18 667
Conferences and seminars	336 421	366 119
Medical expenses		5 725
Fuel and oil	1 332 741	1 618 084
Postage and stamps	2547	3757



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 30. General expenses

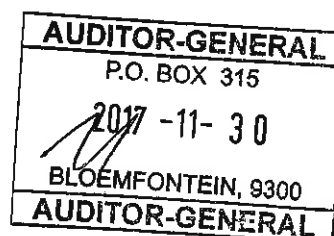
	2017 Figures in Rand	2016 Figures in Rand
Printing and stationery	771 101	494 490
Protective clothing	52 154	98 210
Royalties and license fees	142 962	107 089
Software expenses	986 500	677 622
Subscriptions and membership fees	515 274	574 778
Telephone and fax	977 309	1 226 683
Training	126 307	806 090
Subsistence and Travelling	1 320 023	1 654 240
Departmental Electricity	4 916 164	5 132 143
Valuation cost and unbundling of assets	319 280	923 537
Farming Land	-	49
Performance Management System	3 346	38 240
Ward Committees	225 200	298 200
Other expenses	255 666	385 372
	<b>18 323 103</b>	<b>19 361 603</b>

### 31. Auditors' remuneration

Audit Fees	3 178 877	3 274 382
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### 32. Net cash flow from operating activities

Deficit	-88 171 816	-83 839 942
Adjustments for:		
Depreciation and amortisation	42 559 762	54 948 338
Debt impairment	42 478 833	61 581 833
Movements in retirement benefit assets and liabilities	142 797	1 663 204
Movements in provisions	330 266	362 719
Changes in working capital:		
Inventories	-13 394	96 391
Other Receivables from exchange transactions	-487 451	-2 580 856
Consumer debtors	-52 456 826	-66 087 876
Other receivables from non-exchange transactions	3 453 043	-4 562 350
Payables from exchange transactions	78 913 880	65 732 652
VAT	-6 099 357	-5 879 108
Unspent conditional grants and receipts	11 316 258	-759 348
Consumer deposits	905 768	38 201
	<b>32 871 763</b>	<b>20 713 858</b>



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 34. Contingencies

#### 34.1 Landfill sites

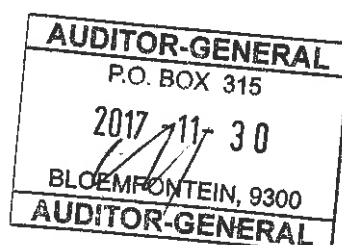
- The municipality makes use of unregistered landfill sites, which could incur potential fines and penalties, the value and likelihood cannot be estimated reliably
- The municipality managed three landfill site without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed.
- Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community. There is currently no possibility of reimbursement.

#### 34.2 Litigations

Samwu National Provident Fund	50 000	1 400 000
Jorian Construction	120 000	-
Aurecon SA	320 000	-
TS Construction	60 000	1 000 000
N. Haya	-	60 000
TS Mantshiyane	120 000	120 000
MY.Makhaba vs Lebo Moletsane KLM	68 400	68 400
HC Mothupi and SAMWU HC Mothupi	67 000	67 000
SALA Pension Fund	40 000	-
Nkelina Projects	580 000	-
<b>34.2 Litigations</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
Mosebi Jack Ramohamane	80 000	-
Reid and others	100 000	100 000
	<b>1 605 400</b>	<b>2 815 400</b>

#### Litigations - Descriptions of cases

- TS Mantshiyane - This is an appeal by the Municipality claiming that the extra 2 years in his employment contract be declared invalid.
- Samwu National Provident Fund - Still awaiting whether the matter was settled
- Jorian Construction - Jorian Construction brought an application to compel the municipality to provide reasons for awarding the tender to the successful bidder of the other ventures of a joint venture.
- TS Construction - TS Construction issued summons against the municipality for services rendered & Municipality for services rendered.
- Sala pension fund - Sala pension fund claim against the municipality to recover arrear pension contribution. Mosebi Jack Ramohamane - Civil action against the municipality.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 34. Contingencies

#### Litigations - Descriptions of cases

- Nkelina Projects CC - Civil action against the municipality claiming for services rendered.
- Reind and other - Litigation is in the process against the municipality relating to a dispute and attribution with former employees who alleges that the municipality unlawfully dismissed. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. However, it cannot be determined at this time when the disputes will be resolved or exactly how much the claims and damages the municipality will require to make as it is not practical to do so. There is currently no possibility of reimbursement.

### 33. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	39 234 240	20 485 753
• other financial assets	1 707 079	3 927 779
	40 941 319	24 413 532
<b>Total capital commitments</b>		
Already contracted for but not provided for	40 941 319	24 413 532

This committed expenditure relating to property will be financed by Conditional grants and other financial assets will be financed by available bank facilities

The commitment above are as the registered contract amount. Some are VAT- inclusive and other are VAT- exclusive depending on the specific appointed service provider's VAT matters.

### 33. Commitments

#### Operating leases - as lessee (expense)

Kopanong Local Municipality entered into a lease contract with Xhariep District Municipality for rental of office building.

Operating lease agreement is for a period of 3 years. Rent payment on Straight lines basis. Rent escalates by 15% per year, operating lease ends 31 July 2016. There is no renewable option on the lease nor buying option.

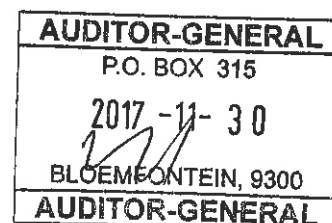
#### PMU Building

- within one year

Total  
8 800

Operating lease agreement is for a period of 3year. Rent payment on Straight Line basis. Rent escalates by 10% per year, operating lease period ends 31 August 2017. There is no renewable option on the lease nor buying option.

#### Operating leases - Printers



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### Minimum lease payments due

- within one year	256 834	342 445
- in second to fifth year inclusive	-	256 834
	<b>256 834</b>	<b>599 279</b>

Kopanong Local Municipality entered into a lease agreement with Alenti 220 (Pty) for rental of printers. Operating lease Agreement is for a period of 2 years. Rent payment on Straight Line basis. Rent escalates by 15% per year, operating lease period ends 30 March 2018. There is no renewable option on the lease nor buying option.

### 35. Related parties

#### Relationships

Accounting Officer

Refer to accounting officer's report note

Close family member of key management Members of key management

Name

No related party transactions were incurred during the year under review.

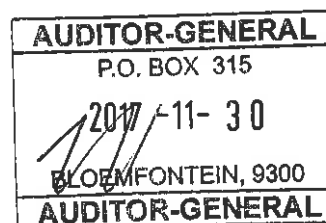
Refer to note on employee cost

#### Municipal service and property rates

No special tariff dispensation exist for councillors or officials who are required to pay for services in on the same terms and condition available for all other consumers

#### Related Party Finance

Effectively from the 1 July 2004, Loans and financial assistance by the municipality to councillors and officials are not permitted



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 36. Change in estimate

The following errors occurred in relation to prior financial year which necessitated correction in the current financial year. The errors were corrected retrospectively in terms of GRAP 3: Accounting policies in accounting Estimates and Errors.

#### Property, plant and equipment

During the financial year a review was done on the Remaining Useful lives of components compared to its remaining service Potential. We found that there were a lot of assets that have depreciated passed its remaining service potential, and that these assets' remaining useful life should be adjusted. This resulted in a change in accounting estimate for components listed in Infrastructure, Buildings and Other PPE.

The changes resulted in the decrease in Depreciation from 2016 to 2017 as seen below.

	2016	2017
Infrastructure	R 45 231 751	R 33 252 247
Buildings	R 7 850 918	R 7 551 287
Other PPE	R 1 724 050	R 1 612 879

#### Prior Period Error: Correction of 2015/16 property, plant and equipment Opening Balances

During the review of the Fixed Asset Register and all of its components, the following errors were found and the corrections amounted to the changes shown in the calculations below.

**Buildings:** New components were identified not previously captured on the FAR. These assets were brought on to the register which resulted in an increase in the Buildings' opening balances of Cost decreased by R6,6 million and Accumulated Depreciation increase by R495 000 and the carrying value of Buildings at 30 June 2016 was restated from R163 573 704 to R 156 432 004.00

**Infrastructure:** New evidence were found for the componentization of the Fauresmith Bulk Water project, resulting in previously deemed cost assets being corrected to actual cost in the current year. The change from Deemed Cost (Valuation) to actual cost resulted in the change of the opening balances of Infrastructure Cost by R289 987 and Accumulated Depreciation decrease by R4 672 232.

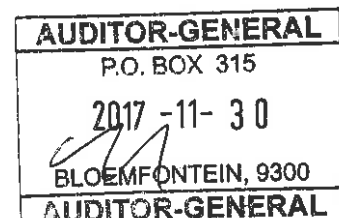
**Other PPE:** New found assets and a reversal of disposals in 2016 resulted in an increase in the Other PPE Cost by R1 092 275 and Accumulated Depreciation decrease by R292 049. An amount of R 774 066 was corrected due to incorrectly written off assets that should have not been written off.

### 37. Prior period errors

The following errors occurred in relation to prior financial year which necessitated correction in the current financial year. The errors were corrected retrospectively in terms of GRAP 3: Accounting policies in accounting Estimates and Errors.

#### 37.1 Irregular Expenditure

The prior year figure was restated by the inclusion of the unspent conditional grant of R5 863 209 that was not supported by appropriate cash or cash equivalents at year end





## Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

### Notes to the financial statements

#### 37. Prior period errors (continued)

##### 37.2 Prior Period Error: Correction of 2015/16 property, plant and equipment Opening Balances

During the review of the Fixed Asset Register and all of its components, the following errors were found and the corrections amounted to the changes shown in the calculations below.

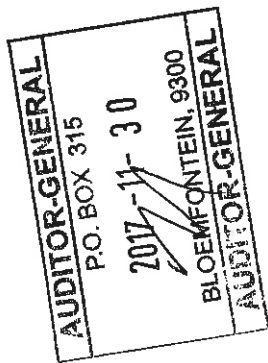
**Buildings:** New components were identified not previously captured on the FAR. These assets were brought on to the register which resulted in an increase in the Buildings' opening balances of Cost decreased by R6,6 million and Accumulated Depreciation increase by R495 000 and the carrying value of Buildings at 30 June 2016 was restated from R163 573 704 to R156 432 004.

**Infrastructure:** New evidence was found for the componentization of the Fauresmith Bulk Water project, resulting in previously deemed cost assets being corrected to actual cost in the current year. The change from Deemed Cost (Valuation) to actual cost resulted in the change of the opening balances of Infrastructure Cost by R289 987 and Accumulated Depreciation decrease by R4 672 232.

**Other PPE:** New found assets and a reversal of disposals in 2016 resulted in an increase in the Other PPE Cost by R1 092 275 and Accumulated Depreciation decrease by R292 049.

The impact on these reviews and discoveries on the prior year financial statements are as follows:

Reconciliation between 2015/2016 and 2016/17 AFS	Cost 30 June 2016 as opening balance as opening balance		Cost 30 June 2016 Final Audited AFS		Restated Difference between 2015/16 Final Audit Current Year audit and Current Year Opening balances		Accumulated Depreciation and Impairment at 30 June 2016 in 2016/17 as opening balance		Accumulated Depreciation and Impairment at 30 June 2016 in Final Audited AFS		Restated Difference between 2015/16 Final Audit Current Year audit and Current Year Opening balances		Carrying Value June 30 2016 AFS in 2016/17 as opening balance		Carrying Value 30 June 2016 Final Audited		Restated Difference between 2015/16 Final Audit Current Year audit and Current Year Opening balances		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land	67 532 098	67 532 098	-	-	-	-	-	-	-	-	-	-	-	67 532 098	67 532 098	-	-	-	
Buildings	316 890 018	323 536 698	-6 646 680	160 458 014	159 962 994	-495 020	159 962 994	159 962 994	159 962 994	159 962 994	-495 020	156 432 004	163 573 704	163 573 704	-7 141 700	-7 141 700	-7 141 700	-7 141 700	
Infrastructure	1 595 661 018	1 595 951 664	-290 646	882 245 607	886 917 839	4 672 232	886 917 839	886 917 839	886 917 839	886 917 839	4 672 232	713 416 070	709 033 825	709 033 825	4 382 245	4 382 245	4 382 245	4 382 245	
Other PPE	15 574 027	14 481 752	1 092 275	10 024 469	9 732 420	-292 049	9 732 420	9 732 420	9 732 420	9 732 420	-292 049	5 549 558	4 749 332	4 749 332	800 226	800 226	800 226	800 226	
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



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

**Notes to the financial statements**

Reconciliation between 2015/2016 and 2016/17 AFS	Cost 30 June 2016 as opening balance as opening balance	Cost 30 June 2016 Final Audited AFS	Restated Difference between 2015/16 Final Audit Current Year audit and Current Year Opening balances	Accumulated Depreciation and Impairment at 30 June 2016 in 2016/17 as opening balance	Accumulated Depreciation and Impairment at 30 June 2016 in Final Audited AFS	Restated Difference between 2015/16 Final Audit Current Year audit and Current Year Opening balances	Carrying Value 30 June 2016 Final Audited	Restated Difference between 2015/16 Final Audit Current Year audit and Current Year Opening balances
	R	R	R	R	R	R	R	R
Totals	1 995 657 161	2 001 502 212	-5 845 051	1 052 728 090	1 056 613 253	3 885 163	942 929 730	-1 959 229

Figures in Rand

Statement of financial position	R'
Property Plant and Equipment	-1 959 230
Increase in Net Assets	-1 959 230
Other Payables	-903 051
Increase in Net Liabilities	-903 051
Statement of financial performance	
Depreciation current year - Decrease	100 466
Loss on Disposal of assets - Decrease	406 476
Increase in Profit and Loss	506 941
Increase in Accumulated Surplus closing balance 2016	-2 355 339

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**Kopanong Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2017  
**Notes to the financial statements**  
**37. Prior period errors (continued)**

**Prior Period Error: Correction of 2015/16 property, plant and equipment Opening Balances**

PPE 2016 Reconciliation (Restated)	PPE values at Cost Opening balance at 1 July 2015	Accumulated Depreciation Opening balance at 1 July 2015	Carrying Value at 1 July 2015	Additions	Disposals	Transfers	Depreciation	Depreciation of disposal	Carrying Value at 30 June 2016
Buildings	310 444 158	-152 158 927	158 285 231	5 590 949		0	-7 804 088		156 072 112
Land	67 532 098	Nil	67 532 098					831 217	68 363 315
Infrastructure	1 550 391 882	-842 565 855	707 825 945	24 154 121	-1 278 796		-45 183 201	3 022 934	688 541 003
Other PPE	18 222 558	-10 709 669	7 512 890	179 560	-4 075 045		-1 938 412		1 678 992
Capital Work in Progress	33 752 605	Nil	33 752 605	28 178 513	Nil	28 745 070			30 186 048
Intangible Assets	142 838	-83 718	59 199	10 993			-22 707		47 485
Totals	1 980 486 139	-1 005 518 169	974 967 968	56 114 136	-5 353 841	-28 745 070	-54 948 388	3 854 151	944 888 956

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# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 37.2 Sundry Income

Revenue from exchange transaction	
Decrease in Accumulated surplus	-2 655 129
Increase in VAT	2 655 129

Reclassification of sundry income from revenue from exchange to VAT

### 37.3 VAT

Decrease in payables	-11 454 485
Increase in VAT	2 655 129
VAT Incorrectly classified as sundry income	

### 37.4 Acturial gain

Decrease in revenue from exchange	-8 201 717
Decrease in acturial gain	8 201 717

Reclassification of acturial gain from revenue from exchange to disclose as a separate line item after total expenditure

### 37.5 Decrease in General Expenses

Assets write off	645 635
------------------	---------

Disclose the assets write-off as a separate line item

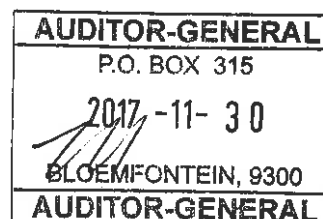
Reclassification of asset write off from general expenses disclose as a separate line item after total expenditure

### 37.6 Employee benefit obligation

Increase Long service bonus	6 365 995
increase Short term portion	505 208

### 37.7 Provisions Current liabilities

Decrease short term portion	-505 208
Non-current liabilities	
Decrease long service bonus	-6 359 995
Long service bonus from provisions to Employee benefits obligation	



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 38. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

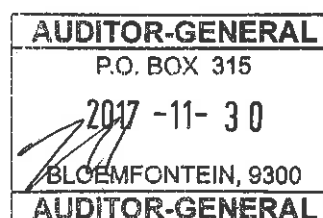
The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual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

<b>Payables from exchange transactions</b>	<b>At 30 June 2017</b>	<b>At 30 June 2016</b>
Less than one year	221 590 361	180 681 911
Between one and two years	Nil	Nil

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 38. Risk management

Financial instrument	2017 R	2016 R
Receivables from exchange transactions	27 041 515	16 258 522
Cash and cash equivalent	2 062 104	912 567
Other receivables from exchange transactions	4 182 564	3 695 113
Long term liabilities	179 928	179 928
Receivables from non-exchange transactions	2 875 316	6 382 359

#### Market risk

##### Interest rate risk

The municipality's interest rate risk arises from consumer debtors. Consumer debtors are levied at variable rates expose the municipality to cash flow interest rate risk. The interest rate is linked to the prime interest rate and the risk is not considered to be material at this stage. Long term borrowings were done at a fixed rate and interest rate risk will not impact the financial position of the municipality.

##### Price risk

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 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.

### 39. Going concern

We draw attention to the fact that at 30 June 2017, the municipality indicates that the municipality incurred a deficit of R88 078 691 (2016 R 83 839 942) and that the municipality's current liabilities exceeded its current assets.

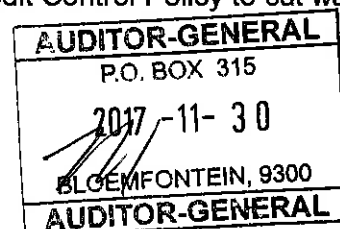
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The Municipality owes salaries payables amounting to R 59 130 474 (2016: R36 176 724).

The Municipality is still negotiating with the suppliers in terms of the outstanding payments by arranging payments terms and dates. Strict measures have been put in place to implement credit control policy to the people who can afford to pay the Municipality. These people are visited after hours and make payments arrangements.

A list for people who are working for Government Institutions was compiled and submitted to the Provincial Treasury to assist locate where they are working and these officials were visited and payments arrangements were made with them.

A water management system has been implemented to correct inaccurate water readings and has led to the billing to increase as compared to the previous financial years where not all water meters were not read. Technical department has developed business plans for Five (5) Towns and submitted them to COGTA to provide the financial assistance through the Municipal Infrastructure Grant to address the high percentage of water losses to reduce the high water account from Bloemwater and also for the effective implementation of Credit Control Policy to cut water for the people who are not paying their accounts.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 39. Going concern

Water restriction programme has been implemented to reduce the high volume of usage and water loss. Bloemwater has also been engaged not to fill up the reservoir to the brim avoid water overflows but to refill the Reservoirs up to at least 80% to reduce water accounts. Water awareness campaigns will also be made to all Kopanong towns. Flat water rate charge of 10 kl per month has been implemented to areas where there are no water meters or broken water meters.

In addition, a flat water rate charge of R 50,00 for the people who are not using the Municipal water will be implemented as the report has been tabled to Council for approval. A lists for all Towns of people who are not paying accounts were prepared and will be submitted to Centlec to deduct 50% from every electricity purchases to address the arrear debts or cut electricity to enforce people to come and pay or make payments arrangements for their accounts. Workshops have been conducted to all the towns for consumers to come and register as Indigents for those that who are not working or receive little income.

Reports will be also be prepared to monitor and follow up on all payments arrangements made and not honoured to cut electricity to enforce payment.

### 40. Events after the reporting date

At the time of reporting management was not aware of subsequent events.

### 41. Unauthorised expenditure

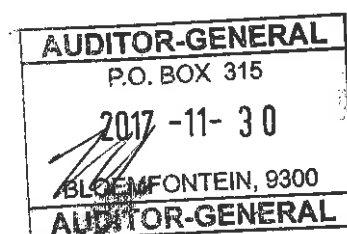
	2017	2016
Opening Balance	337 856 369	242 303 370
Current Year	67 387 246	95 552 999
	<b>405 243 615</b>	<b>337 856 369</b>

	Current Year
Incidents of unauthorised expenditure	
Employee related services	3 251 375
Impairment	27 351 982
Interest paid on overdue accounts	22 827 103
Other Expenditure	48 162 721
Bulk Purchases	-13 956 786
	<b>67 387 246</b>

### Disciplinary Steps / Criminal proceedings

- No criminal or disciplinary steps were taken in relation to the above expenditure. Liabilities have not yet been determined.
- Council Committee (section 32) is in place to investigate and report back to council before the amount can be recovered or condoned.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

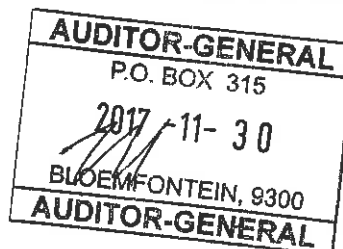
## Notes to the financial statements

### 42. Fruitless and wasteful expenditure\*

	2017	2016
Opening Balance	70 863 115	51 707 993
Add: Current Year	24 185 847	19 155 122
	95 048 962	70 863 115

#### Incidents of fruitless & Wasteful expenditure

	Current Year
Fines and penalties	50 500
Interest on late accounts	23 535 348
Legal cost	600 000
	24 135 348



#### Disciplinary Steps / Criminal proceedings

No criminal or disciplinary steps were taken in relation to the above expenditure. Liabilities have not yet been determined. Council Committee (section 32) is in place to investigate and report back to council before the amount can be recovered or condoned. This expenditure is mainly interest charges due to late payment of the suppliers.

### 43. Irregular expenditure\*

	2017	2016
Opening balance	239 036 609	213 962 479
Add: Irregular Expenditure - current yea	30 557 049	25 074 130
Closing total at 30 June 2017	263 730 449	239 036 609

Particulars of irregular expenditure - current year	Disciplinary steps taken/criminal	Current Year
Money appropriated in terms of DORA that remained unspent at year for which cash or cash equivalent exist at year end	Will be referred to the council's section 32 committee	R 15 117 363
Evaluation functionality criteria differ from bid specifications Bid adjudication committee was not composed of a minimum of 4 directors in accordance to SCM Regulation 29.	Will be referred to the council's section 32 committee	R 11 443 715
Supply Chain processes were not followed in full	Will be referred to the council's section 32 committee	R 866 897
	Will be referred to the council's section 32 committee	R 3 129 074
<b>Total for current year</b>		<b>R 30 557 049</b>

#### Prior Year

Particulars of irregular expenditure - current year	Disciplinary steps taken/criminal	prior year
Money appropriated in terms of DORA that remained unspent at year for which cash or cash equivalent exist at year end	Section 32 investigations not yet completed	5 863 209
Evaluation functionality criteria differ from bid specifications	Section 32 investigations not yet completed	10 787 186
Bid adjudication committee was not composed of a minimum of 4 directors in accordance to SCM Regulation 29	Section 32 investigations not yet completed	3 739 088
Supply Chain processes were not followed in full	Section 32 investigations not yet completed	4 383 794
Award was made to bidder who did not score the highest Points	Section 32 investigations not yet completed	43 860
No original tax clearance certificate	Section 32 investigations not yet completed	256 993
<b>Total for current year</b>		<b>R 25 074 130</b>

\*A register with more particulars is available at our registered offices



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 420 642	55 660
Current year subscription / fee	972 484	1 364 982
Amount paid - current year	-1 420 642	-
	<b>972 484</b>	<b>1 420 642</b>

2017  
R

2016  
R

#### Audit fees

Opening balance	3 282 373	2 371 017
Current year subscription / fee	3 178 877	3 895 951
Amount paid - current year	(2 846 784)	-2 984 595
	<b>6 461 250</b>	<b>3 282 373</b>

#### PAYE and UIF (continued)

Opening balance	5 232 537	7 404 653
Current year subscription / fee	14 652 657	11 205 646
Amount paid - current year	-173 524	552 117
Amount paid - previous years	-5 232 537	-13 929 879
	<b>14 479 133</b>	<b>5 232 537</b>

### 44. Additional disclosure in terms of Municipal Finance Management Act

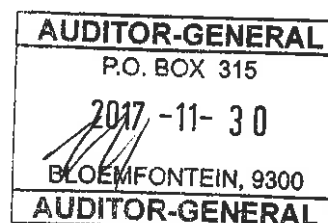
#### Pension and Medical Aid Deductions

Opening balance	29 657 332	17 669 758
Current year subscription / fee	31 522 475	27 632 645
Amount paid - current year	-	-4 830 806
Amount paid - previous years	-20 881 834	-10 814 265
	<b>40 297 973</b>	<b>29 657 332</b>

#### VAT

VAT receivable	2464853	11 545 485
	<b>2 464 853</b>	<b>11 545 485</b>

The municipality accounts for VAT on the payment basis. VAT output payables and VAT input receivables are shown in note. Most of the VAT returns have been submitted by the due date throughout the year.



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 44. Additional disclosure in terms of Municipal Finance Management Act

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017: The accounting officer Certifies that the salaries, allowances and benefits of councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 43 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act,(Act of 20 of 1998) and the Minister of Provincial and local Government's determination in accordance with this Act.

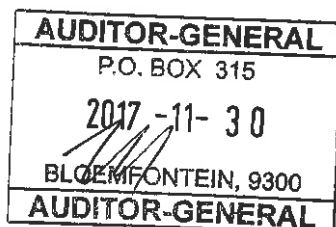
	30-Jun-17 less than 90 days	Outstanding more than 90 Days	Outstanding	Total R
	R	R	R	
Councillor PD Basholo		365	-	365
Councillor SA Sola		1 674	7 205	8 879
Councillor TX Matwa		1 553	26 837	28 390
Councillor KE Dlomo		504	6 903	7 407
Councillor H Shebe		432	-	432
Councillor B Smit	-	-	-	-
Councillor TA Phafudi		268	2 887	3 155
Councillor MJ Mjika		984	10 231	11 215
Councillor MJ Moitse		2 380	83 389	85 769
Councillor MJ Moeketsi		9 955	88 296	98 251
Councillor MJ Phoba		832	25 910	26 742
Councillor LM May		512	-	512
Councillor NM Jan		1 612	67 965	69 577
Councillor LG Rasoeu	-	-	-	-
Councillor L Makoa		338	-	338
		<b>21 409</b>	<b>319 623</b>	<b>341 032</b>

### 45. Deviation from supply chain management regulations

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

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

Incidents  
Sole supplier  
Impractical or impossible



Total  
365 727  
608 674  
**974 401**

# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

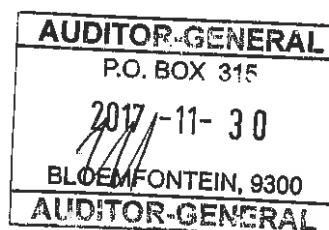
### 46. Distribution losses

Distribution losses	Distribution losses	Total
<b>48.1 Distribution losses (Water)</b>	-	-
Number of users	13 386	13 386
Units bought	4 354 269	4 354 269
Units sold	2 203 546	2 203 546
Free basic service (Only Indigents)	163 524	163 524
Units lost on distribution	1 987 199	1 987 199
Units lost in distribution as percentage	46	46
Amount distribution losses R 6.80	13 512 953	13 512 953
The water distribution losses were calculated on the cost price of R	-	-
<b>48.2 Distribution losses (Electricity)</b>	-	-
Purchased Units	44 611 499	44 611 499
Prepaid Sale	21 504 459	21 504 459
Venus Sales	15 570 632	15 570 632
kWh Losses	7 536 408	7 536 408
Distribution losses R	8 278 827	8 278 827
Avg C/kWh	17	17
	-	-

### 47. Budget differences

#### Material differences between budget and actual amounts

- The excess of actual expenditure over the final budget is material. Employee Cost
- The overspending on employee related cost is due to settlement of court new appointments and social contributions. Debt Impairment
- The payment rate is low due to the high unemployment rate currently we have an unemployment rate of 60% in the Xhariep District. The collection is very low hence the provision over the 90 days.
- Interest paid
- Due to the low payment rate of consumers the Municipality is not able to pay all of its creditors and the interest is increasing monthly. Main contributor is the Bloemwater interest.
- Bulk Purchases: Kopanong went over to prepared system with Bloemwater but still the account is growing monthly. Bloemwater reduced supply of water due to non-payment of account by municipality
- Interest Paid Bloemwater and salary Creditors are the main reason Grant & Subsidy Paid: Operations: Free basic to indigents



# Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the financial statements

### 47. Budget differences

- Employee Cost: Some of the major overspending on employee related cost is due to overtime, acting allowance, leave pay-outs, long service bonus and standby allowances, also the ongoing court cases.
- Operating lease - The increase was due to rental of the Cubans which was not budget form and also Xhariep district which was higher than the norm. (Under negotiations)
- Sale of Goods The two contributors that resulted in the sale of goods revenue to drop by R 300 000 is sale of soil and gravel and connection fees.
- In the case of sale of gravel and soil the drop of R 200 000 is due to the fact that in 2015/16 the contractors that rebuild the N1 at Tromps burg was still busy with the ground works of the new N1 and bought a large number of gravel. In 2016/17 it was only the normal small loads sold to the community.

### Changes from the approved budget to the adjustment final budget

- The changes between the approved and final adjustment budget are a consequence of reallocations within the approved budget parameters.

