

1.17. Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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

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

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

Measurement

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

1.18. Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have

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been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.19. Borrowing costs

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

1.20. Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

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

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

1.21. 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.

1.22. 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.

1.23. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

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

1.24. Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.25. Capital commitments

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

1.26. Consumer deposits

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

2. Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

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

The entity will disclose the nature of the event and an estimate 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.

3. New standards and Interpretations

3.1 Standards and Interpretations issued, but not yet effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 18 Segmental Reporting – Issued February 2011
GRAP 20 Related Party Disclosures - Issued June 2011
GRAP 32 Service Concession Arrangements - Issued August 2013

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GRAP 34 Separate Financial Statements - Issued March 2017
GRAP 35 Consolidated Financial Statements - Issued March 2017
GRAP 36 Investments in Associates and Joint Ventures - Issued March 2017
GRAP 37 Joint Arrangements - Issued March 2017
GRAP 38 Disclosure of Interests in Other Entities - Issued March 2017
GRAP 108 Statutory receivables - Issued September 2013
GRAP 109 Accounting by principals and agents - Issued July 2015

GRAP 18 Segmental Reporting

This standard requires the municipality to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 20 Related Party Disclosures

This standard requires the disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 32 Service Concession Arrangements: Grantor

The objective of the standard is to prescribe the accounting for service concession arrangements by the grantor, a public entity. The municipality must assess whether it is a grantor i.e. has granted the right to use the service concession asset to the operator. This standard then requires the municipality to recognise an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if (a) the grantor controls or regulates what services the operator must provide with the asset, to whom it must be provided and at what price, and (b) the grantor controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement. Where a service concession asset is recognised, the grantor shall also recognise a liability at the same amount as the service concession asset.

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date.

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GRAP 34 Separate Financial Statements

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

There will be no impact as the municipality does not have investments in controlled entities, joint ventures and associates. This standard does not yet have an effective date.

GRAP 35 Consolidated Financial Statements

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

To meet the objective, this Standard:

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

There will be no impact as the municipality is not required to consolidate financial statements. This standard does not yet have an effective date.

GRAP 36 Investments in Associates and Joint Ventures

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

There will be no impact as the municipality does not have Investments in Associates and Joint Ventures. This standard does not yet have an effective date.

GRAP 37 Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). To meet the objective, this Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

The impact of this on the financial statements is not expected to be significant. This standard does not

yet have an effective date.

GRAP 38 Disclosure of Interests in Other Entities

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

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

The impact of this on the financial statements is not expected to be significant. This standard does not yet have an effective date.

GRAP 108 Statutory Receivables

This standard requires the entity to recognise any receivables that arise from legislation, supporting legislations, or similar means and requires settlement by the entity in cash or another financial asset as statutory receivables. The municipality shall recognise statutory receivables using the standard of GRAP on revenue from exchange transactions if the transaction is an exchange transaction or the standard of GRAP on revenue from non-exchange transactions if it is a non-exchange transaction. Where the transaction is not within the scope of the above, the receivable must be recognised when the definition of an asset is met.

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date.

GRAP 109 Accounting by principals and agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.

3.2 Interpretations and Directives Issued, but not yet effective

The following interpretations have been issued by the Accounting Standards Board but has not been given an effective date by the Minister of Finance. The entity has not early-adopted this new interpretation, but has referred to it for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset - Issued August 2013

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land – Issued March 2017

IGRAP 19 Liabilities to Pay Levies – Issued March 2017

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities – Issued August 2015

IGRAP 17 – Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest In an Asset

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

The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

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

The Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as its asset.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected it will have an impact on Standard of GRAP on Inventories (GRAP 12), Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103) should the land use change.

IGRAP 19 – Liabilities to Pay Levies

This Interpretation addresses the recognition of a liability to pay a levy if that liability is within the scope of GRAP 19. It also addresses the recognition of a liability to pay a levy whose timing and amount is certain. The measurement of a liability to pay a levy is not addressed in this Interpretation, instead an entity refers to GRAP 19.

The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

There is no impact as they directive only applies to public entities that are not currently applying Standards of GRAP.

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

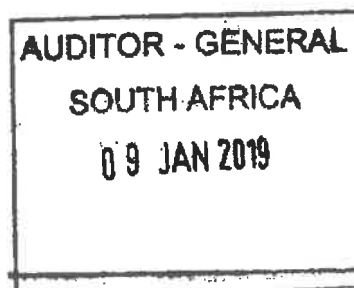
	2018 R	2017 R (Restated)
4 Other financial assets		
Amortised cost		
Long term loans	<u>6 401</u>	<u>9 654</u>
This loan is for a sport club and is repayable in monthly instalments over a period of twenty years. It has a fixed interest rate of 5% and will be fully redeemed in April 2020. This loan is not secured		
Opening Balance	9 654	12 749
Interest accrued	409	567
Instalments	<u>(3 662)</u>	<u>(3 662)</u>
Closing Balance	<u>6 401</u>	<u>9 654</u>
Non-current assets		
Amortised cost	2 982	6 401
Current assets		
Amortised cost	<u>3 419</u>	<u>3 253</u>
	<u>6 401</u>	<u>9 654</u>

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2018 and 2017, as all the financial assets were disposed of at their redemption date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018 - Rnil (2017 - Rnil) were past due but not impaired.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
5 Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
2018		Financial assets at amortised cost
Other financial assets		6 401
Other receivables from exchange transactions		1 088 137
Other receivables from non-exchange transactions		4 912 311
Cash and cash equivalents		1 222 662
Trade receivables from exchange transactions		23 917 276
		31 126 687
2017		Financial assets at amortised cost
Other financial assets		9 664
Other receivables from exchange transactions		1 021 029
Other receivables from non-exchange transactions		4 686 303
Cash and cash equivalents		6 928 628
Trade receivables from exchange transactions		22 444 353
		35 088 987
6 Inventories		
Housing in process	55 080	55 080
Consumable stores	806 282	766 675
Water	173 367	136 532
	1 034 719	958 287

Stores issues amounted to R 1 478 231 and R 1 557 805 (2017).
No inventory write downs were required for the year.
No inventory were pledged as security.
No amount included in inventory is carried at current replacement cost or NRV.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
7 Other receivables from exchange transactions		
Deposits (Eskom and Fuel)	727 225	695 123
Government Grants and Subsidies	158 842	158 842
Other receivables	41 389	29 933
Incorrect bank debit		1 950
Prepayments - Insurance premiums	170 614	165 114
Provision for bad debts: Other Receivables	(29 833)	(29 933)
	<u>1 068 137</u>	<u>1 021 029</u>
Prior Period adjustment		1 061 029
Balance as previously reported		(30 000)
2017: Fuel deposit utilised to pay for fuel usage in 2016/17 - Subway Service Station in Cockhouse		<u>1 021 029</u>

The ageing of other receivables from exchange transactions and not impaired is as follows:

Current (0-30days)	11 458	1 950
31-60 days		
61-90 days		
91-120 days		165 114
> 121 days	1 056 681	853 965
	<u>1 068 137</u>	<u>1 021 029</u>

Other receivables pledged as security

Other receivables were not pledged as security.
Other receivables is a financial assets at amortised cost.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

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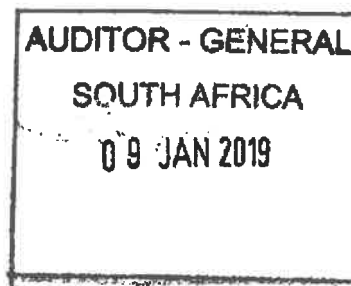
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
8 Other receivables from non-exchange transactions		
Property rates	4 812 311	4 885 303
Other receivables	219 010	1 749 570
	<u>6 131 321</u>	<u>6 414 873</u>
Property rates		
Property rates	7 979 910	7 034 278
Provision for bad debts: Property rates	(3 067 599)	(2 368 875)
	<u>4 912 311</u>	<u>4 665 303</u>
Property rates age analysis		
Current (0-30days)	383 977	382 896
31-60 days	69 313	57 504
61-90 days	705 354	40 198
91-120 days	40 394	34 048
> 121 days	6 790 872	6 518 632
	<u>7 979 910</u>	<u>7 034 278</u>
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 historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Allowance for impairment: Property rates		
Impairment balance prior year	(2 368 875)	(2 076 370)
Contributions to provision	(1 362 872)	(288 578)
Debt impairment written off against provision	864 248	3 973
	<u>(3 067 599)</u>	<u>(2 368 875)</u>
Other receivables		
Employees overpayment on backpay	231 831	231 831
Provision for bad debts: Employees overpayment	(231 831)	(231 831)
Legal costs: Santam		1 679 168
Insurance claims	17 121	17 121
Provision for bad debts: Insurance claims	(17 121)	(17 121)
Employee overpayments	81 988	81 861
SARS UIF paid for Councillors	150 874	108 511
Other	6 370	
	<u>219 010</u>	<u>1 749 570</u>
As at 30 June 2018, an amount of R864 248 for interest levied on property rates for Department of Agriculture were impaired and provided for (2017: R3 973). The amount of the provision for Property Rates bad debts was R 3 067 599 as at 30 June 2018 (2017: R 2 368 875). The amount of the provision for other receivables was R248 952 as at 30 June 2018 (2017: R248 952). Other receivables from non-exchange transactions is a financial assets at amortised cost. Other receivables from non-exchange transactions were not pledged as security.		
Other receivables from non-exchange transactions past due but not impaired		
The ageing of amounts for property rates past due but not impaired is as follows:		
1 month past due	205 153	284 078
2 months past due	69 937	55 868
3 months past due	702 785	37 915
Older than 3 months	3 806 818	4 201 796
	<u>4 774 693</u>	<u>4 579 659</u>
Other receivables from non-exchange transactions past due but not impaired		
1 month past due	6 370	1 579 168
2 months past due		
3 months past due		
Older than 3 months	212 640	170 402
	<u>219 010</u>	<u>1 749 570</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
9 Trade receivables from exchange transactions		
Gross balances		
Electricity	17 435 212	18 449 418
Water	15 170 688	13 889 104
Sanitation	2 108 485	1 853 112
Sewerage	6 151 312	5 455 647
Refuse	11 198 336	9 905 456
Other	1 784 876	1 317 094
	<u>53 844 886</u>	<u>50 889 831</u>
Trade receivables pledged as security		
Trade receivables were not pledged as security. Trade receivables is a financial assets at amortised cost.		
Less: Allowance for impairment		
Electricity	(2 751 092)	(3 945 889)
Water	(10 872 640)	(10 035 351)
Sanitation	(1 708 000)	(1 621 742)
Sewerage	(4 515 845)	(4 058 521)
Refuse	(8 652 281)	(7 725 006)
Other	(1 626 772)	(1 037 987)
	<u>(28 927 610)</u>	<u>(28 425 478)</u>
Net balance		
Electricity	14 684 120	14 503 549
Water	4 498 048	3 853 753
Sanitation	397 485	231 370
Sewerage	1 635 467	1 396 126
Refuse	2 544 075	2 180 448
Other	158 103	279 107
	<u>23 917 276</u>	<u>22 444 353</u>
Electricity		
Current (0 -30 days)	9 843 258	9 893 779
31 - 60 days	1 407 310	1 543 048
61 - 90 days	622 120	880 200
91 - 120 days	875 282	686 065
>121 days	4 687 242	5 448 336
	<u>17 435 212</u>	<u>18 449 418</u>
Water		
Current (0 -30 days)	2 280 020	1 888 972
31 - 60 days	407 388	514 003
61 - 90 days	299 874	321 243
91 - 120 days	285 328	360 218
>121 days	11 918 076	10 814 668
	<u>15 170 688</u>	<u>13 889 104</u>
Sanitation		
Current (0 -30 days)	45 525	42 142
31 - 60 days	17 888	16 074
61 - 90 days	17 473	15 414
91 - 120 days	17 482	15 032
>121 days	2 008 117	1 784 450
	<u>2 108 485</u>	<u>1 853 112</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
9 Trade receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	746 847	652 092
31 - 60 days	178 519	154 327
61 - 90 days	138 910	119 488
91 - 120 days	127 235	110 881
>121 days	4 960 801	4 418 881
	<u>6 151 312</u>	<u>6 458 647</u>
Refuse		
Current (0 -30 days)	1 057 193	817 944
31 - 60 days	258 384	228 387
61 - 90 days	218 824	190 091
91 - 120 days	202 040	180 178
>121 days	9 481 815	8 388 878
	<u>11 196 336</u>	<u>9 808 486</u>
Other		
Current (0 -30 days)	80 151	55 902
31 - 60 days	23 225	17 179
61 - 90 days	38 820	28 917
91 - 120 days	80 983	25 083
>121 days	1 581 588	1 192 013
	<u>1 784 875</u>	<u>1 317 094</u>
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	14 031 994	13 450 831
31 - 60 days	2 292 694	2 473 698
61 - 90 days	1 334 221	1 564 251
91 - 120 days	1 568 340	1 367 425
>121 days	34 817 637	32 023 326
	<u>53 844 886</u>	<u>50 880 831</u>
Less: Allowance for impairment	<u>(29 927 610)</u>	<u>(28 425 478)</u>
	<u>23 917 276</u>	<u>22 444 353</u>
Reconciliation of debt impairment provision		
Balance at beginning of the year	(28 425 478)	(22 928 583)
Contributions to provision	(3 084 848)	(8 587 058)
Debt relief project		890 106
Debt impairment written off against provision	2 462 516	2 400 055
	<u>(29 927 610)</u>	<u>(28 425 478)</u>
Fair value of trade receivables from exchange transactions		
Trade receivables from exchange transactions	<u>23 917 276</u>	<u>22 444 353</u>
The fair value has been determined by using the face value of the outstanding capital.		
Trade receivables impaired		
As at 30 June 2018, consumer debtors of R2 462 516 (2017: R 2 400 055) were impaired and provided for. The amount of the provision was R29 927 610 as at 30 June 2018 (2017: R 28 425 478).		
Trade receivables from exchange transactions past due but not impaired		
The ageing of amounts for exchange transactions past due but not impaired is as follows:		
1 month past due	1 950 075	8 705 249
2 months past due	1 927 674	2 017 485
3 months past due	1 045 863	1 187 369
Older than 3 months	3 117 441	2 398 021
	<u>8 041 053</u>	<u>12 308 124</u>
Credit quality of receivables from exchange transactions		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		

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10 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 782	4 330
Bank balances	1 082 444	3 463 897
Short-term deposits	156 356	3 460 401
	<u>1 222 582</u>	<u>6 928 628</u>

No restrictions exist with regard to the use of cash.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
Nedbank - Money market - 1283030023	3 798	4 378	4 751	3 798	4 378	4 751
Nedbank - Fixed deposit - 18312491	4 600	4 600	4 800	4 600	4 600	4 600
Nedbank - Money market - 1283084758	79 516	78 302	73 212	79 516	78 302	73 212
Nedbank - 12 month Fixed deposit - 37881100877			4 000 000			4 238 575
ABSA - Cheque account - 2200000008	183 869	1 004 020	168 758	183 869	1 004 020	168 758
FNB - Cheque account - 62541421046	847 424	2 604 374	1 185 300	868 575	2 459 877	1 281 069
FNB - Call account - 0258597005	80 942	3 387 621	8 334 390	80 942	3 387 621	8 334 390
Total	<u>1 187 648</u>	<u>7 068 786</u>	<u>13 778 541</u>	<u>1 218 600</u>	<u>6 824 298</u>	<u>14 110 885</u>

The municipality has a guarantee at ABSA bank to the value of R6 000 (2017: R8 000) relating to the personal bonds of one municipal employee.

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	2018 R			2017 R (Restated)		
11 Investment property	Cost/ Valuation R	2018 Accumulated depreciation/ Impairment	Carrying Value R	Cost/ Valuation R	2017 Accumulated depreciation/ Impairment	Carrying Value R
Investment property	25 886 098	(532 830)	25 323 268	25 886 145	(473 627)	25 381 518

Reconciliation of Investment property - 2018

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
Investment properties: Land	19 470 044		4	(9 050)			19 466 998
Farms	4 613 000						4 613 000
Buildings	1 302 474				(59 203)		1 243 271
	25 381 518		(9 050)		(59 203)		25 323 268

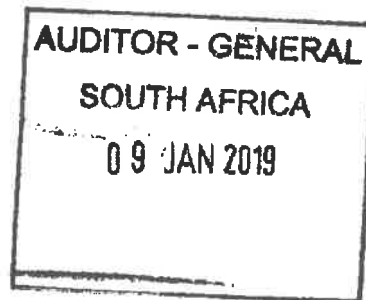
Reconciliation of Investment property - 2017

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
Investment properties: Land	19 632 544		(56 500)				19 476 044
Farms	4 613 000						4 613 000
Buildings	1 381 677				(59 203)		1 302 474
	25 607 221		(56 500)		(59 203)		25 391 518

Rental revenue from Investment property: R438 688 (2017: R139 854)
Direct operating expenses arising from investment property that generated rental revenue: Rnil (2017: Rnil)

Pledged as security

No investment property have been pledged as security for loans



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
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12 Property, plant and equipment

	2018			2017		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Land	20 129 272	0	20 129 272	20 129 272		20 129 272
Buildings	152 647 495	(82 188 164)	70 459 341	151 846 093	(78 433 455)	73 212 578
Plant and equipment	1 930 535	(1 187 873)	742 662	1 539 650	(1 042 418)	497 231
Furniture and fixtures	4 527 447	(3 424 860)	1 102 797	4 547 117	(3 001 274)	1 545 843
Motor vehicles	18 744 986	(7 868 024)	10 788 942	18 892 452	(8 045 360)	12 847 092
Office equipment	7 025 550	(4 558 061)	2 467 489	6 181 179	(4 388 979)	1 782 200
Infrastructure	911 905 960	(483 109 454)	428 796 506	904 013 869	(458 723 890)	447 290 179
WIP	35 735 849		35 735 849	17 380 249		17 380 249
Landfill sites	17 994 300	(10 892 539)	7 101 761	17 994 300	(10 248 624)	7 747 376
Total	1 170 841 374	(583 316 755)	577 324 619	1 142 284 121	(556 682 101)	582 382 020

Prior period adjustment

Balance previously reported	572 921 445
2017: Re-calculation of infrastructure depreciation according to the accounting policy on the straight line method	1 483 688
2017: Re-calculation of the buildings depreciation according to the accounting policy on the straight line method	69 002
Prior to 2017: Re-calculation of infrastructure depreciation according to the accounting policy on the straight line method	7 932 734
Prior to 2017: Re-calculation of buildings depreciation according to the accounting policy on the straight line method	15 151
	882 382 020

Reconciliation of Work In Progress (WIP) - 2018

	Opening balance	Additions	Transfers	Total
	R	R	R	R
Infrastructure assets	18 136 287	26 648 497	(7 611 041)	35 173 743
Community assets	345 822	596 214	(625 151)	316 985
Vehicles	119 780		(119 780)	0
PPE - Buildings	758 280	162 037	(865 177)	245 120
Total	17 380 249	27 396 748	(9 021 148)	35 735 848

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

Repairs and Maintenance/Inventory Consumed	2018	2017
	2 617 147	2 817 877

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	20 129 272						20 129 272
Buildings	73 212 578	18 000	(1 888)	1 009 275	(3 447 189)	(329 437)	70 459 341
Plant	497 231	393 340	(2 322)		(146 557)		742 662
Furniture and fixtures	1 545 844	3 158			(448 208)		1 102 797
Motor vehicles	12 847 082	427 614	(263 858)	119 780	(2 228 676)	(126 311)	10 788 942
Office equipment	1 782 201	1 421 297	(17 249)		(866 760)		2 467 489
Infrastructure	447 290 177			7 892 063	(26 385 764)		428 796 506
WIP	17 380 249	27 396 748		(9 021 148)			35 735 849
Landfill sites	7 747 376				(645 615)		7 101 761
Total	582 382 020	29 658 155	(275 115)		(33 895 893)	(484 748)	577 324 619

Reconciliation of property, plant and equipment - 2017

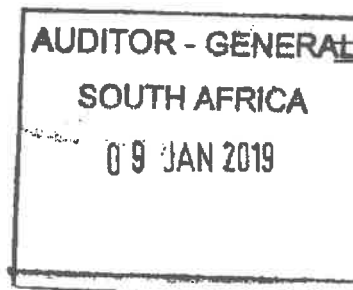
	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	20 129 272						20 129 272
Buildings	68 927 988			7 717 359	(3 432 749)		73 212 578
Plant and equipment	667 410	16 484			(185 983)		497 231
Furniture and fixtures	1 944 848	17 270	(6 985)		(409 309)		1 545 844
Motor vehicles	14 772 903	282 827	(174 575)		(2 034 183)		12 847 092
Office equipment	2 206 788	544 347	(104 822)		(884 112)		1 782 201
Infrastructure	452 688 197			20 509 863	(25 907 863)		447 290 177
WIP	29 095 065	15 891 806		(28 227 222)			17 380 249
Landfill sites	9 833 019				(1 885 643)		7 747 376
Total	600 686 070	16 751 834	(286 362)		(34 739 522)		582 382 020

Assets subject to finance lease (Net carrying amount)

	2018	2017
Vehicles and Plant	1 552 244	2 343 542
Office equipment	1 004 951	2 343 542
	2 557 195	2 343 542

See note 17 on finance leases for assets held under finance lease.

No property, plant and equipment has been pledged as security for liabilities



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
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13 Intangible assets

	2018			2017		
	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value
Computer software	R 18 765	R (18 765)	R 0	R 18 765	R (18 527)	R 2 238

Reconciliation of Intangible assets - 2018

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	2 238		0	0	(2 238)	-	0

Reconciliation of Intangible assets - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	6 829		0	0	(4 891)	-	2 238

Other information

Fully amortised intangible assets still in use

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

14 Heritage assets

	2018			2017		
	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value
	R 458 067	R	R 458 067	R 458 067	R	R 458 067

Reconciliation of heritage assets - 2018

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458 067		0	0	0	-	458 067

Reconciliation of heritage assets - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458 067	-	0	0	0	-	458 067

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15 Employee benefit obligations

15.1 Post-Employment Medical Aid

Defined benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical 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.

In-service members will receive a post-employment subsidy of 80% of the contribution payable should they be a member of a medical scheme at retirement.

All continuation members and their eligible dependants receive a subsidy of either 60% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same between 60% and 70% subsidy.

All subsidies are subject to a maximum of R 4 218 for the year ending 30 June 2018. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Principal assumptions

Discount rate

Grp 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.58% per annum has been used. The corresponding index-linked yield at this term is 3.03%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 28 June 2018.

These rates are calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process.

Financial assumptions

Discount rate	9.58%
Health care cost inflation rate	7.37%
Nett effective discount rate	2.08%

The next contribution rate increase is assumed to occur at 1 January 2018.

Demographic assumptions

Average retirement age	63 (males)/ 58 (Females)
Continuation of membership at retirement	100%
Proportion assumed married at retirement	70%

Accrued liability Values

Carrying value		
Opening Accrued Liability	21 740 725	20 418 181
Service cost	883 466	958 405
Interest cost	2 072 858	1 852 871
Benefits paid	(563 612)	(602 724)
Actuarial gain recognised in the year	(1 457 384)	(895 798)
Closing Accrued Liability	<u>22 686 931</u>	<u>21 740 725</u>

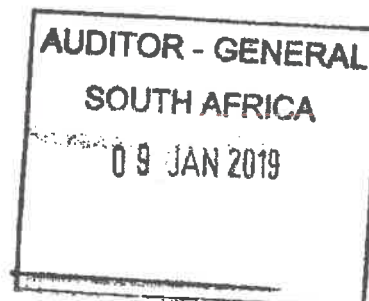
Non-current liabilities

Current liabilities (Estimate of benefits payments expected in the next annual period)	21 868 180	21 017 857
	<u>787 741</u>	<u>722 868</u>
	<u>22 655 931</u>	<u>21 740 725</u>

The total liability has increased by 4.3% (or R816 206) since the last valuation

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Actuarial Gain for the period	(1 457 384)
Contribution to Actuarial Gain:	
Basis changes: increase in net discount rate	(1 380 328)
Subsidy increases lower than assumed	(213 026)
Actual benefits vesting lower than expected	(168 357)
Changes to membership profiles different from assumed	295 319



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15.1 Post-Employment Medical Aid (continue)

Net expense recognised in the statement of financial performance

Current service cost	663 456	958 405
Interest	2 072 656	1 852 671
Benefits paid	(583 512)	(602 724)
Total included in employee related costs	2 372 600	2 208 352
Actuarial Gain recognised in statement of financial performance	(1 487 384)	(886 788)
	885 216	1 321 564

Estimate of contributions expected to be paid to the plan in the next financial year

(787 741) (722 888)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		12,847	10	23	
Health care inflation	1%	13,870	11	25	0
	-1%	11,271	9	21	0
Discount Rate	1%	10,914	9	20	0
	-1%	14,800	11	26	0
Post-retirement mortality	-1yr	13,003	10	23	0
Average retirement age	-1yr	13,613	10	24	0
Continuation of membership at retirement	-10%	11,418	10	21	0

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2018

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		863 500	2 072 700	2 936 200	
Health care inflation	+1%	949 100	2 242 100	3 191 200	0
	-1%	755 100	1 875 100	2 630 200	0
Discount Rate	+1%	723 700	2 011 500	2 735 200	0
	-1%	1 042 200	2 133 400	3 175 600	0
Post-retirement mortality	-1yr	887 800	2 138 800	3 026 600	0
Average retirement age	-1yr	864 600	2 186 200	3 050 800	0
Continuation of membership at retirement	-10%	781 400	1 960 700	2 742 100	0

History of Liabilities, Assets and Experience Adjustments (R millions)

Liability History	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Accrued liability	18,235	19,582	20	22	23
Fair value of plan asset	0,000	0,000	0	0	0
Surplus/(Deficit)	(16,235)	(19,582)	(20,418)	-22	-23

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Liabilities: (Gain)/Loss	0,346	1,321	(0,088)	2	(0,077)
Assets: Gain/(Loss)	0,000	0,000	0	0	0

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	2018 R	2017 R (Restated)
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15.2 Long Service Awards (LSA)

Defined benefit plan

The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA. At 30 June 2018, the Municipality had 305 employees that are entitled to LSA.

Principal assumptions

Discount rate

Grat 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 8.42% per annum has been used. The corresponding liability-weighted index linked yield is 2.72%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 29 June 2018.

The liability-weighted average term of the total liability is 5.93 years.

Financial assumptions

Discount rate	8.42%
General salary inflation	8.06%
Nett discount rate	2.23%

The salaries used in this valuation include an assumed increase on 1 July 2018 of 7.00%. The next contribution rate increase is assumed to occur at 1 July 2019.

Accrued liability values

Carrying value

Opening Accrued Liability	3 636 967	3 669 246
Service cost	499 725	514 686
Interest cost	304 937	307 575
Benefit Vestings	(443 380)	(448 287)
Actuarial (gain) / loss recognised in the year	(14 087)	(306 253)
Closing Accrued Liability	<u>4 284 162</u>	<u>3 636 967</u>

Non-current liabilities

Current liabilities (Estimate of benefits payments expected in the next annual period)	3 639 471	3 401 361
	<u>644 691</u>	<u>535 606</u>
	<u>4 284 162</u>	<u>3 936 967</u>

The total liability has increased by 9% (or R347 195) since the last valuation

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Actuarial (Gain)/Loss for the period	(14 087)
Contribution to Actuarial (Gain)/Loss:	
Basic changes: Increase in net discount rate	(41 637)
Salary increases higher than assumed	99 655
Actual benefits vesting, lower than expected	(92 226)
Changes to membership profile different from assumed	20 121

Net expenses recognised in the statement of financial performance

Current service cost	499 725	514 686
Interest cost	304 937	307 575
Benefit Vestings	(443 380)	(448 287)
Total included in employee related costs	<u>361 282</u>	<u>373 974</u>
Actuarial Gain recognised in statement of financial performance	(14 087)	(306 253)
	<u>347 195</u>	<u>67 721</u>

Estimate of benefit vestings in the next financial year

(644 691)	(535 606)
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2018
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16.2 Long Service Awards (LSA) (Continued)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	Liability	% Change
Central Assumptions		4.284	
General salary inflation	1%	4.616	0
	-1%	4.074	0
Discount Rate	1%	4.062	0
	-1%	4.532	0
Average retirement age	-2yr	3.782	0
	2yr	4.858	0
Withdrawal rates	-50%	4.653	0

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2018

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		499 700	304 800	804 600	
General salary inflation	1%	536 000	322 700	858 700	0
	-1%	467 100	288 700	755 800	0
Discount Rate	1%	470 000	322 600	792 600	0
	-1%	633 300	284 900	918 200	0
Average retirement age	-2yr	461 900	265 400	727 300	0
	2yr	552 400	348 400	901 800	0
Withdrawal rates	-50%	571 800	333 200	905 000	0

History of Liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2016	30/06/2017	30/06/2018
Accrued liability	3.889	3.937	4
Fair value of plan asset	0.000	0.000	0
Surplus/(Deficit)	(3.889)	(3.937)	(4.284)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2017	30/06/2018
Liabilities: (Gain)/Loss	(0.128)	0.028
Assets: Gain/(Loss)	0.000	0.000

Total Employee benefit obligations
Post-Employment Medical Aid
Long Service Awards

22 656 931 21 740 725
4 284 162 3 936 967
26 941 093 25 677 692

Non-current liabilities
Current liabilities

25 507 681 24 419 218
1 432 432 1 268 474
26 940 093 25 677 692

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	2018 R	2017 R (Restated)
16 Other financial liabilities		
Held at amortised cost		
Standard Bank	2 195 827	2 779 316
Abesa Bank loans	5 987 380	8 584 300
	<u>8 183 207</u>	<u>11 363 616</u>
<p>A loan from ABSA was taken up on 5 June 2015 for R19 000 000 at a fixed interest rate of 9.82%. Installments of R1 875 282 will be semi-yearly payable for 5 years. The last installment is payable on 31 May 2020. This loan will be funded from the MIG allocations.</p> <p>On 30 June 2016, a loan of R3 300 000 was also taken up from Standard Bank for the financing of vehicles purchased during the year at a fixed interest rate of 11.55%. Installments of R443 846 will be semi-yearly payable over five years. The last installment will be payable on 31 December 2020.</p> <p>No defaults or breaches or re-negotiations of the terms and conditions occurred during the year.</p> <p>The ABSA Bank loan has the following covenants applicable for the R19 000 000 loan:</p> <ol style="list-style-type: none"> 1. Consumer debtor's collection rate to be maintained at >65%. 2. Net cash from operating activities to interest bearing debt not to deteriorate below 60%, and 3. Total interest bearing debt to annual operating revenue not to exceed 40%. <p>The Standard Bank loan is not secured, but the following covenants are also applicable for the R3 300 000 loan:</p> <ol style="list-style-type: none"> 1. Debt to Revenue ratio: to be maintained at a level that is less than or equal to 50%. 2. Billing to collection rate to be maintained at a level that is greater than or equal to 87.3%. 3. Interest paid to total cost to be maintained at a level that is less than or equal to 7.6%. 		
Non-current liabilities		
At amortised cost	4 672 835	8 134 684
Current liabilities		
At amortised cost	3 510 272	3 228 932
	<u>8 183 207</u>	<u>11 363 616</u>
Opening Balance	11 363 616	14 800 140
Loan received		
Interest accrued	1 057 444	1 498 048
Payments	(4 237 853)	(4 989 572)
Closing Balance	<u>8 183 207</u>	<u>11 363 616</u>

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	2018 R	2017 R (Restated)
17 Finance lease obligation		
Minimum lease payments due		
- within one year	1 025 891	1 055 121
- In second to fifth year inclusive	1 328 797	1 578 738
	<u>2 354 688</u>	<u>2 633 859</u>
less: future finance charges	(308 355)	(345 641)
Present value of minimum lease payments	<u>2 046 333</u>	<u>2 288 218</u>
Present value of minimum lease payments due		
- within one year	1 409 534	858 589
- In second to fifth year inclusive	1 238 799	1 429 629
	<u>2 648 333</u>	<u>2 288 218</u>
Non-current liabilities	1 238 799	1 429 629
Current liabilities	1 409 534	858 589
	<u>2 648 333</u>	<u>2 288 218</u>

It is municipality policy to lease certain plant and equipment under finance leases. The average lease term was 3- 5 years and the average effective borrowing rate was between 9.30% and 9.56% for plant and 14.2% for office equipment. Interest rates are linked to prime at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12. Property, plant and equipment for the carrying value of assets subject to finance lease.

There are no subleases

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

18 Unspent conditional grants and receipts

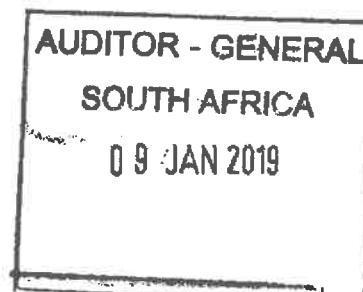
Other grants	1 982 972	4 197 803
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Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totalling R1 982 972. Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer column per the following table. The municipality complied with all the conditions attached to the grants / allocations. These amounts are invested in a ring-fenced investment until utilised.

Grant description	Unspent balance 2017	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2018
Municipal Infrastructure Grant (MIG)		12 498 000		(724 800)	(11 771 200)	
Water Service Infrastructure Grant (WSIG)		17 000 000			(17 000 000)	
District Municipality: Infrastructure Grant		937 095			(823 180)	13 915
Finance Management Grant (FMG)		1 700 000		(1 700 000)		
District Municipality: Youth and other tourism upgrades	700 000					700 000
Dr WH Craib Trust	13 015					13 015
District Municipality: Fire and Disaster	436 000	1 034 000			(899 048)	770 954
Depart Sport : Library admin cost		2 300 000		(2 300 000)		
Expanded Public Works Programme (EPWP)		1 000 000		(1 000 000)		
ACIP Water conservation	308 177					308 177
Integrated National Electrification Program (INEP)	2 551 500		(1 394 000)		(1 167 500)	
Absafel Rural Project (LED)	78 208			(12 000)		66 208
Resourcing Youth Centre (LED)	102 703					102 703
Drought Relief Grant		180 000			(180 000)	
Moral Regeneration Movement Programme	8 000					8 000
	<u>4 197 803</u>	<u>38 647 095</u>	<u>(1 394 000)</u>	<u>(5 738 800)</u>	<u>(31 730 828)</u>	<u>1 982 972</u>

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG & FMG):	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG)
Sarah Beardman District municipality:	Fire fighting, LED Projects and infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries
INEP	Electricity upgrading



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)		
19 Provisions				
Reconciliation of provisions - 2018				
	Opening Balance	Additions	Adjustment for the year	Total
Environmental rehabilitation	25 928 519		(4 572 560)	21 353 989
	<u>25 928 519</u>	<u>0</u>	<u>(4 572 560)</u>	<u>21 353 989</u>
Reconciliation of provisions - 2017				
	Opening Balance	Additions	Adjustment for the year	Total
Environmental rehabilitation	23 630 802	2 295 917		25 926 519
	<u>23 630 802</u>	<u>2 295 917</u>		<u>25 926 519</u>
			2018	2017
Non-Current liability			<u>21 353 989</u>	<u>25 926 519</u>
Amortised cost			<u>21 353 989</u>	<u>25 926 519</u>

Environmental rehabilitation provision

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act, Act no. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

The effective date of all valuations was 30 June 2018 and was done and certified by Mr. S Nel, Professional Engineer, from Bosch Muntach.

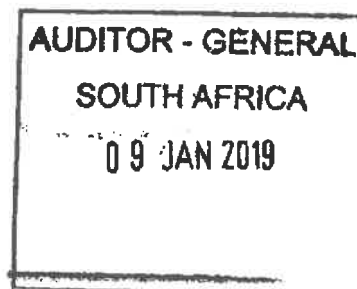
In Calculating the provision for rehabilitation, the following have been included:

- Direct contract costs
- Indirect Professional Fees
- Indirect disbursements
- Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site.

Fencing at Cookhouse (318m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs replacing.

Monetary values for landfill sites at 30 June 2018:	Cookhouse	1 252 633
	Pearston	3 648 088
	Somerset East	<u>16 453 268</u>
		<u>21 353 989</u>



Blue Crane Route Municipality

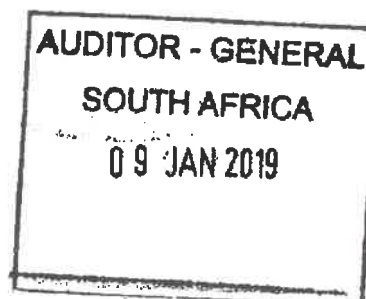
Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
20 Payables from exchange transactions		
Trade payables	15 267 455	14 714 507
Payments received in advanced	612 378	530 388
Accrued leave pay	5 277 510	4 874 860
Accrued 13th cheque	1 808 000	1 875 586
Accrued performance bonus		
Retention on Capital Projects	239 173	1 026 734
Previous employees of Dev Agency	813 694	813 694
Unidentified bank deposits	1 380	
Deposits received (Town Hall & Chalets)	164 951	160 496
	<u>24 263 121</u>	<u>23 796 682</u>
Prior Period adjustment		
Balance as previously reported		24 883 180
2017: Accrued Performance bonuses written back. Directors already left service		(180 833)
2017: Back pay on salary task grade correction: V Gxabeshe		6 167
2017: Bytes Technology Group did not send invoice on time for Advisory services delivered		167 142
2017: Invoice not received for Laboratory services from Nelson Mandela Bay Municipality		18 414
2017: Contribution towards Blue Crane Tourism Board not approved by Council		(330 860)
2017: Councillor Grootboom not paid as chairperson for the year but only as Councillor		19 488
Prior to 2017: Accrued Performance bonuses written back. Directors already left service		(575 585)
Prior to 2017: Back pay on salary task grade correction: V Gxabeshe		4 082
		<u>23 796 682</u>
21 Trade and other payables from non-exchange		
Trade and other	<u>422 345</u>	<u>55 700</u>
22 VAT payable		
VAT	<u>2 457 854</u>	<u>3 053 143</u>
Prior period adjustment		
Balance previously reported		3 074 334
2017: Bytes Technology Group did not send invoice on time for Advisory services delivered		(19 298)
2017: Invoice not received for Laboratory services from Nelson Mandela Bay Municipality		(1 893)
		<u>3 053 143</u>
VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.		
23 Consumer deposits		
Electricity & water	<u>2 578 763</u>	<u>2 421 026</u>
24 Financial liabilities by category		

The accounting policies for financial instruments have been applied to the line items below:

	2018	2017	Financial liabilities at amortised cost
Other financial liabilities			
Finance lease			(8 183 207)
Trade and other payables from non-exchange			(2 046 333)
Payables from exchange transactions			(422 345)
			<u>(10 651 885)</u>
Other financial liabilities			
Finance lease			(11 363 816)
Trade and other payables from non-exchange			(2 288 216)
Payables from exchange transactions			(55 700)
			<u>(13 707 732)</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
25 Revenue		
Property rates	12 098 426	11 152 026
Service charges	105 391 913	111 774 047
Rental of facilities and equipment	468 326	260 849
Interest earned - outstanding debtors	3 662 997	3 847 706
Interest earned - external investments	1 140 337	1 261 204
Agency Services	1 063 671	865 336
Fines	55 479	71 800
Licences and permits	565 926	631 847
Transfers and Subsidies	83 919 158	73 376 019
Gains on disposal of assets		65 416
Other revenue	2 260 624	3 686 444
	<u>210 836 957</u>	<u>207 212 634</u>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	105 391 913	111 774 047
Rental of facilities & equipment	468 326	260 849
Interest earned - outstanding debtors	3 662 997	3 847 706
Interest earned - external investments	1 140 337	1 261 204
Agency Services - Provincial	1 063 671	865 336
Gains on disposal of assets		65 416
Miscellaneous other revenue	2 260 624	3 686 444
	<u>114 167 968</u>	<u>121 781 002</u>
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	12 098 426	11 152 026
Fines	55 479	71 800
Licences and permits	565 926	631 847
Transfers and Subsidies	83 919 158	73 376 019
	<u>96 639 989</u>	<u>86 431 692</u>

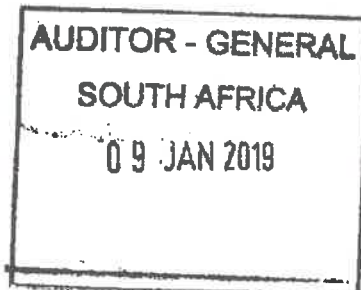
Collectability of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
26 Property rates		
Rates received		
All properties (Residential, Business, Agriculture and Commercial)	12 098 428	11 152 026
Valuations		
Agricultural	3 097 994 800	3 098 032 400
Commercial	132 448 150	128 462 850
Government - Infrastructure	1 437 100	1 437 100
Residential	480 876 100	475 218 100
Government - Other	330 342 600	330 342 600
	<u>4 043 096 750</u>	<u>4 033 483 050</u>
<p>Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2019.</p> <p>Rates are levied on an annual basis with the final date for payment being 30 June 2018 (30 June 2017). Interest at prime plus 1% per annum (2017: prime plus 1% per annum), is levied on rates outstanding one month after due date.</p> <p>A general rate of 0.00064 for agricultural properties, 0.01024 for business properties, 0.00875 for residential properties, 0.00088 for government infrastructure properties and 0.01642 for government properties is applied to property valuations to determine assessment rates (2017: 0.00068 - agricultural properties, 0.00931 - business properties, 0.00795 - residential properties, 0.01563 - government properties and 0.00119 for Government Infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2017: R15 000 - residential properties and 30% government infrastructure).</p>		
27 Service charges		
Sale of electricity	85 030 891	90 154 712
Sale of water	10 406 018	12 635 287
Sewerage and sanitation charges	4 428 958	4 075 203
Refuse removal	5 528 108	5 008 846
	<u>105 393 975</u>	<u>111 774 048</u>
Electricity losses		
Units	14 584 715	17 688 498
Amount	R 9 128 111	R 11 048 032
Percentage	10%	22%
Water losses		
Units	1 053 838	1 301 786
Amount	R 5 827 483	R 9 636 026
Percentage	48%	48%
28 Investment revenue		
Interest revenue		
Sporting and Other bodies	409	567
Bank Accounts	1 139 026	1 280 637
	<u>1 140 337</u>	<u>1 281 204</u>
<p>The amount of R1 140 337 (2017: R1 281 204) is included under revenue arising from exchange transactions</p>		
29 Transfers and Subsidies		
Equitable share	45 700 000	44 713 000
Government grant - MIG	12 498 000	19 378 343
Government grant - FMG	1 700 000	1 625 000
Government grant - WSIK	17 000 000	
Government grant - EPWP	1 000 000	1 008 000
Provincial and District Municipality grants	4 865 858	4 203 176
Government grant - INEP	1 157 500	2 448 500
	<u>83 919 158</u>	<u>73 376 019</u>
30 Other revenue		
Incidental Cash surpluses	3 602	10 805
Commission: Transaction Handling Fees	174 804	2 387
Insurance Refund	114 982	1 748 439
Skills Development Levy Refund	135 323	148 304
Bad debts recovered	16 885	85 702
Sub-division and Consolidation	28 140	9 879
Building plan approvals	167 481	388 605
Burial Fees	78 527	82 898
General/Other	689 583	878 483
Library Fees	16 410	28 609
Camping Fees	100 815	72 602
Connection/Reconnection Fees	789 632	242 931
	<u>2 280 524</u>	<u>3 884 444</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R (Restated)
31 Employee related costs		
Basic Salary and Wages	49 958 151	49 353 417
Bonuses	3 978 722	3 773 905
Social Contributions - Medical	2 778 748	2 570 118
Social Contributions - Group Life Insurance	2 288	2 562
Social Contributions - Unemployment Insurance	440 211	438 618
Leave Gratuity	1 214 707	982 118
Post-retirement benefits - Medical : Past Service Cost	299 944	355 651
Long Term Service Awards: Past Service Cost	66 346	68 399
Post-retirement benefits - Medical : Interest Cost	2 072 666	1 862 671
Long Term Service Awards: Interest Cost	304 937	307 676
Overtime	3 812 588	3 227 250
Other allowances: Non-Pensionable	3 793 014	3 408 331
Social Contributions - Bargaining council	30 244	29 161
Social Contributions - Pension	8 037 968	7 711 727
	<u>78 778 621</u>	<u>74 179 619</u>
Prior Period adjustment		
Balance as previously reported (After mSCOA re-classification)		74 364 195
Accrued Performance bonuses written back. Directors already left service		(190 833)
Back pay on salary task grade correction: V Gxabeshe		6 157
		<u>74 179 619</u>
Remuneration of municipal manager		
Annual Remuneration	1 094 299	1 026 546
Car Allowance	120 000	120 000
Leave pay out	167 899	
Contributions to UIF, Medical and Pension Funds	1 884	1 877
	<u>1 414 082</u>	<u>1 148 423</u>
Remuneration of chief finance officer (Vacant from 1 November 2016 to 31 January 2017)		
Annual Remuneration	678 665	635 780
Car Allowance	120 000	70 000
Contributions to UIF, Medical and Pension Funds	1 884	1 408
Leave pay out		166 824
	<u>898 549</u>	<u>874 012</u>
Remuneration of manager - corporate services (Vacant from 1 September 2017 to 31 October 2017)		
Annual Remuneration	720 168	821 042
Car Allowance	20 000	120 000
Leave pay out	92 321	
Contributions to UIF, Medical and Pension Funds	91 965	1 876
	<u>924 444</u>	<u>942 917</u>
Remuneration of manager - community services (Vacant from 1 September 2017 to 31 October 2017)		
Annual Remuneration	736 627	821 040
Car Allowance	126 211	120 000
Leave pay out	98 707	
Contributions to UIF, Medical and Pension Funds	1 569	1 877
	<u>962 914</u>	<u>942 917</u>
Remuneration of manager - Infrastructure (Vacant from 1 September 2017 to 30 June 2018)		
Annual Remuneration	120 722	788 701
Car Allowance	26 390	162 340
Leave pay out	98 014	
Contributions to UIF, Medical and Pension Funds	313	1 876
	<u>242 439</u>	<u>942 917</u>

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