



Mbizana Local Municipality
Audited annual financial statements
for the year ended 30 June 2018

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

General Information

Nature of business and principal activities	Mbizana Local Municipality provides the following services: Electricity Solid Waste
Mayoral committee	
Mayor	T.D. Mafumbatha
Speaker	S. Magini
Chief whip	M.C. Mpetshwa
Executive committee	L. Makholosa Z. Mhlwazi N. Dlamini R.T. Nkomo- Khwela M.S. Maphetshana N.N. Mhlembana L.T. Somadlangathi I.M. Sabuka A.M. Spelman

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

General Information

Councillors

E. Voko
N.E. Cengimbo
F.N. Sobazile
N. Sikiti
N. Mgolozane
N. Sikibi
N. Giyama-Bongwana
N. Mavundla
R.N. Madikizela
P.N. Mfingwana
F. Mbuyelwa
J. M. Valiko
V. Mbhekwa
B. Luwele
N.C. Cengimbo
M. Mbele
L.B. Mbuzi
C.N. Matyeni
Z. Mashiyi
M.S. Msindo
S.M. Faku
Y.N. Mfana
V. Sotubhu
L.G. Mcambalala
M. Mapholoba
M. Mpofana
M. Qumba
M.J. Dekede
M.M. Manyathela
N. Bengu
S.A. Maphasa
N. Dayimani
N. Hlebo
M. Ndovela
A.I. Guqaza
M.R. Dlamini
B.A. Jalubane
N. Madikizela
T. Faku
S. Ngoninni
M.J. Ndesi
C.N. Mfingwana
S.P. Sobhoyi
N. Langasiki
N. Madikizela
N. Sipatala
L. Nqodi
N. Cwele
L. Silangwe

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

General Information

Grading of local authority	Grade 04
Accounting Officer	L Mahlaka
Chief Finance Officer (CFO)	ZA Zukulu
Registered office	51 Winnie Madikizela-Mandela Street Bizana 4800
Business address	51 Winnie Madikizela-Mandela Street Bizana 4800
Postal address	P.O. Box 12 Bizana 4800
Bankers	First National Bank
Attorneys	N.Z Mtshabe Ndobela and Lamola Attorneys Le Roux Attorneys Credit Intelligence (PTY)Ltd Jafta Inc Vuyani Gwebindlala Mbabane and Sokutu Gcaweni Shabalala Inc Prenesha Sugudhav/Sewpersadh
Auditors	Auditor General of South Africa Registered Auditors

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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

I am responsible for the preparation of these annual financial statements, which are set out on the pages to follow in terms of s126(1) of the MFMA and which I have signed on behalf of the municipality.

I certify that the salaries, benefits and allowances as disclosed in notes 29 and 30 of these financial statements are within the upper limits of the framework envisioned in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

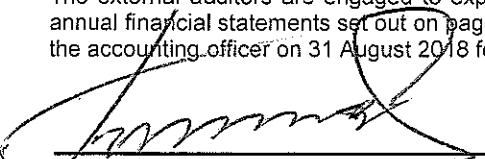
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and placed 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 accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are engaged to express an independent opinion on the municipality's annual financial statements. The annual financial statements set out on pages 6 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 for submission for audit and were signed on its behalf by:



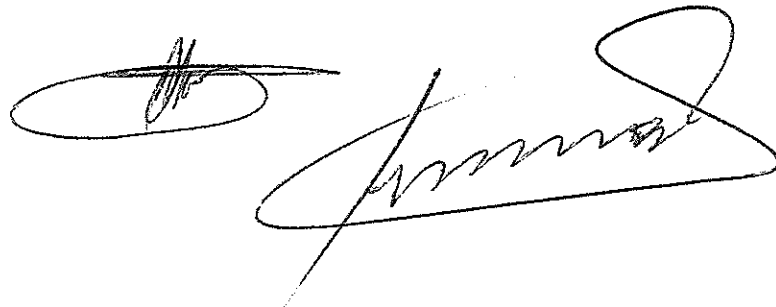
Mr. J. Mahlaka
Municipal Manager

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	9	449 106	472 394
Operating lease asset	7	940 098	1 183 753
Other receivables from exchange transactions	10	2 401 593	1 768 551
Receivables from non-exchange transactions	11	26 079 876	27 163 288
VAT receivable	12	27 222 037	16 066 591
Prepayments	8	13 656 837	5 830 235
Receivables from exchange transactions	13	9 292 947	7 528 525
Cash and cash equivalents	14	94 549 091	67 026 233
		174 591 585	127 039 570
Non-Current Assets			
Investment property	3	6 131 700	5 793 770
Property, plant and equipment	4	611 260 745	608 497 905
Intangible assets	6	774 233	1 468 838
Heritage assets	5	1 230 799	1 230 799
		619 397 477	616 991 312
Total Assets		793 989 062	744 030 882
Liabilities			
Current Liabilities			
DBSA loan	17&52	-	16 273 890
Payables from exchange transactions	18	39 092 685	25 592 417
Transfers received in advance (non-exchange)		56 200	-
Consumer deposits	19	609 559	458 815
Unspent conditional grants and receipts	15	1 383 647	1 534 958
Provisions	16	9 900 346	14 290 885
		51 042 437	58 150 965
Non-Current Liabilities			
Provisions	16	4 318 896	3 585 447
Total Liabilities		55 361 333	61 736 412
Net Assets		738 627 729	682 294 470
Accumulated surplus		738 627 729	682 294 470



* See Note 44

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	30 831 422	29 904 275
Rental of facilities and equipment	26	655 942	470 216
Agency services	27	1 150 355	842 878
Commissions received		114 787	100 249
Recoveries		3 883 964	-
Other income	25	755 504	1 050 999
Interest received	24	11 223 543	10 554 299
Fair value adjustments	54	337 930	132 270
Total revenue from exchange transactions		48 953 447	43 055 186
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	19 942 068	20 255 597
Licences or Permits (Non-exchange)		2 296 218	2 446 270
Transfer revenue			
Government grants & subsidies	23	313 815 633	255 556 626
Fines, Penalties and Forfeits	28	1 646 015	1 162 800
Total revenue from non-exchange transactions		337 699 934	279 421 293
Total revenue	20	386 653 381	322 476 479
Expenditure			
Employee related costs	31	(85 766 271)	(84 017 677)
Remuneration of councillors	32	(22 484 810)	(19 648 747)
Depreciation and amortisation	34	(38 974 830)	(39 229 322)
Finance costs	35	(726 560)	(2 168 113)
Lease rentals on operating lease		(2 558 538)	-
Debt Impairment	33	(2 505 730)	(1 109 848)
Bulk purchases	38	(27 760 875)	(27 606 329)
Contracted services	55	(60 102 022)	(11 616 361)
Grants related expenditure	37	(189 620)	(15 072 440)
Loss on disposal of assets and liabilities	30	(33 979 849)	(7 675 799)
General Expenses	29	(55 597 122)	(70 019 312)
Total expenditure		(330 646 227)	(278 163 948)
Surplus for the year		56 007 154	44 312 531

* See Note 44

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	634 615 244	634 615 244
Adjustments		
Prior year adjustments	3 366 695	3 366 695
Balance at July 1, 2016 as restated*	637 981 939	637 981 939
Surplus/(Deficit) for the year	44 312 531	44 312 531
Total changes	44 312 531	44 312 531
Restated balance at 30 June 2017	682 294 572	682 294 572
Prior year adjustments	326 003	326 003
Balance at 01 July 2017 as restated*	682 620 575	682 620 575
Surplus/(Deficit) for the year	56 007 154	56 007 154
Total changes	56 007 154	56 007 154
Balance at 30 June 2018	738 627 729	738 627 729

Note(s)

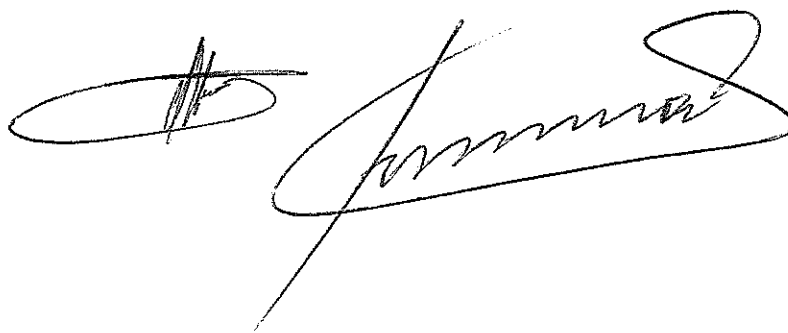
* See Note 44

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		49 050 432	40 929 761
Grants		313 720 522	254 137 070
Interest income		11 223 543	10 554 299
		<u>373 994 497</u>	<u>305 621 130</u>
Payments			
Employee costs		(108 251 081)	(103 666 424)
Suppliers		(146 196 910)	(121 562 687)
Finance costs		(726 560)	(2 168 113)
		<u>(255 174 551)</u>	<u>(227 397 224)</u>
Net cash flows from operating activities	39	<u>118 819 946</u>	<u>78 223 906</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(75 808 467)	(83 546 289)
Proceeds from sale of property, plant and equipment	4	785 270	20 148
Purchases of heritage assets	5	-	(452 358)
Net cash flows from investing activities		<u>(75 023 197)</u>	<u>(83 978 499)</u>
Cash flows from financing activities			
Repayment of DBSA loan		(16 273 890)	(24 126 110)
Net cash flows from financing activities		<u>(16 273 890)</u>	<u>(24 126 110)</u>
Net increase/(decrease) in cash and cash equivalents		<u>27 522 859</u>	<u>(29 880 703)</u>
Cash and cash equivalents at the beginning of the year		67 026 233	96 906 936
Cash and cash equivalents at the end of the year	14	<u>94 549 092</u>	<u>67 026 233</u>



* See Note 44

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	31 696 202	(378 801)	31 317 401	30 831 422	(485 979)	Appendix E1
Rental of facilities and equipment	765 346	90 960	856 306	655 942	(200 364)	Appendix E1
Interest received (trading)	1 774 844	2 022 109	3 796 953	-	(3 796 953)	
Agency services	863 128	305 910	1 169 038	1 150 355	(18 683)	
Commissions received	-	-	-	114 787	114 787	
Recoveries	-	-	-	3 883 964	3 883 964	
Other income - (rollup)	1 078 389	397 224	1 475 613	755 504	(720 109)	
Interest received	6 158 820	1 369 057	7 527 877	11 223 543	3 695 666	Appendix E1
Total revenue from exchange transactions	42 336 729	3 806 459	46 143 188	48 615 517	2 472 329	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22 341 792	-	22 341 792	19 942 068	(2 399 724)	Appendix E1
Licences or Permits (Non-exchange)	2 372 440	(201 169)	2 171 271	2 296 218	124 947	
Transfer revenue						
Government grants & subsidies	204 938 900	(2 458 892)	202 480 008	205 434 866	2 954 858	Appendix E1
Fines, Penalties and Forfeits	822 521	1 102 414	1 924 935	1 646 015	(278 920)	Appendix E1
Total revenue from non-exchange transactions	230 475 653	(1 557 647)	228 918 006	229 319 167	401 161	
Total revenue	272 812 382	2 248 812	275 061 194	277 934 684	2 873 490	
Expenditure						
Personnel	(107 441 676)	4 923 920	(102 517 756)	(85 766 271)	16 751 485	Appendix E1
Remuneration of councillors	(21 502 263)	(920 188)	(22 422 451)	(22 484 810)	(62 359)	Appendix E1
Depreciation and amortisation	(46 010 536)	-	(46 010 536)	(38 974 830)	7 035 706	Appendix E1
Finance costs	(1 574 701)	-	(1 574 701)	(726 560)	848 141	Appendix E1
Lease rentals on operating lease	-	-	-	(2 558 538)	(2 558 538)	
Debt Impairment	(1 995 000)	-	(1 995 000)	(2 505 730)	(510 730)	Appendix E1
Bulk purchases	(31 303 017)	-	(31 303 017)	(27 760 875)	3 542 142	Appendix E1
Contracted Services	(35 119 294)	(3 293 044)	(38 412 338)	(60 102 022)	(21 689 684)	
Transfers and Subsidies	(11 209 307)	8 829 303	(2 380 004)	(189 620)	2 190 384	Appendix E1
Sale of goods/Inventory	(88 200)	(6 968 504)	(7 056 704)	-	7 056 704	
Loss on disposal of assets	-	(38 693 551)	(38 693 551)	(33 979 849)	4 713 702	
General Expenses	(44 471 178)	(8 242 766)	(52 713 944)	(55 597 122)	(2 883 178)	Appendix E1
Total expenditure	(300 715 172)	(44 364 830)	(345 080 002)	(330 646 227)	14 433 775	
Operating deficit	(27 902 790)	(42 116 018)	(70 018 808)	(52 711 543)	17 307 265	
Transfers recognised-capital contributions	113 800 100	1 558 888	115 358 988	108 380 767	(6 978 221)	Appendix E1
Fair value adjustments	-	-	-	337 930	337 930	Appendix E1
	113 800 100	1 558 888	115 358 988	108 718 697	(6 640 291)	

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	85 897 310	(40 557 130)	45 340 180	56 007 154	10 666 974	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	85 897 310	(40 557 130)	45 340 180	56 007 154	10 666 974	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	325 500	-	325 500	449 106	123 606	
Operating lease asset	1 237 381	-	1 237 381	940 098	(297 283)	
Other receivables from exchange transactions	11 141 449	-	11 141 449	2 401 592	(8 739 857)	
Receivables from non-exchange transactions	-	-	-	26 079 876	26 079 876	
VAT receivable	-	-	-	27 222 037	27 222 037	
Prepayments	-	-	-	13 656 837	13 656 837	
Consumer debtors	15 214 415	-	15 214 415	9 292 947	(5 921 468)	
Cash and cash equivalents	63 525 438	(21 999 456)	41 525 982	94 549 091	53 023 109	
	91 444 183	(21 999 456)	69 444 727	174 591 584	105 146 857	
Non-Current Assets						
Investment property	6 956 775	-	6 956 775	6 131 700	(825 075)	
Property, plant and equipment	678 899 892	22 734 530	701 634 422	611 260 745	(90 373 677)	
Intangible assets	1 770 730	-	1 770 730	774 233	(996 497)	
Heritage assets	-	-	-	1 230 799	1 230 799	
	687 627 397	22 734 530	710 361 927	619 397 477	(90 964 450)	
Total Assets	779 071 580	735 074	779 806 654	793 989 061	14 182 407	
Liabilities						
Current Liabilities						
Payables from exchange transactions	19 331 770	-	19 331 770	39 092 685	19 760 915	
Taxes and transfers payable (non-exchange)	-	-	-	56 200	56 200	
Consumer deposits	263 231	-	263 231	609 559	346 328	
Unspent conditional grants and receipts	-	-	-	1 383 647	1 383 647	
Provisions	1 237 105	-	1 237 105	9 900 346	8 663 241	
	20 832 106	-	20 832 106	51 042 437	30 210 331	
Non-Current Liabilities						
Provisions	6 765 829	-	6 765 829	4 318 896	(2 446 933)	
Total Liabilities	27 597 935	-	27 597 935	55 361 333	27 763 398	
Net Assets	751 473 645	735 074	752 208 719	738 627 728	(13 580 991)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	751 473 645	735 074	752 208 719	738 627 728	(13 580 991)	

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	55 624 700	1 354 567	56 979 267	49 050 432	(7 928 835)	
Government - operating	204 938 900	(2 558 892)	202 380 008	205 179 475	2 799 467	
Interest income	7 933 663	3 366 143	11 299 806	11 223 543	(76 263)	
Government - capital	113 800 100	1 558 888	115 358 988	108 541 047	(6 817 941)	
	382 297 363	3 720 706	386 018 069	373 994 497	(12 023 572)	
Payments						
Employee costs	(128 943 939)	(4 002 732)	(132 946 671)	(108 251 082)	24 695 589	
Suppliers	(111 775 489)	(9 705 050)	(121 480 539)	(146 196 910)	(24 716 371)	
Finance costs	(1 574 701)	-	(1 574 701)	(726 560)	848 141	
Transfers and grants	(11 209 307)	8 829 303	(2 380 004)	-	2 380 004	
	(253 503 436)	(4 878 479)	(258 381 915)	(255 174 552)	3 207 363	
Net cash flows from operating activities	128 793 927	(1 157 773)	127 636 154	118 819 945	(8 816 209)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(115 202 431)	(22 534 516)	(137 736 947)	(75 808 467)	61 928 480	
Proceeds from sale of property, plant and equipment	-	-	-	785 270	785 270	
Net cash flows from investing activities	(115 202 431)	(22 534 516)	(137 736 947)	(75 023 197)	62 713 750	
Cash flows from financing activities						
Repayment of dbsa loan	(15 399 459)	-	(15 399 459)	(16 273 890)	(874 431)	
Net increase/(decrease) in cash and cash equivalents	(1 807 963)	(23 692 289)	(25 500 252)	27 522 858	53 023 110	
Cash and cash equivalents at the beginning of the year	65 333 401	1 692 832	67 026 233	67 026 233	-	
Cash and cash equivalents at the end of the year	63 525 438	(21 999 457)	41 525 981	94 549 091	53 023 110	

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	22 341 795	-	22 341 795	-	-	22 341 795	19 942 068		(2 399 727)	89 %	89 %
Service charges	31 696 202	(378 801)	31 317 401	-	-	31 317 401	30 831 422		(485 979)	98 %	97 %
Investment revenue	6 158 818	1 369 058	7 527 876	-	-	7 527 876	11 223 543		3 695 667	149 %	182 %
Transfers recognised - operational	204 938 900	(2 458 892)	202 480 008	-	-	202 480 008	202 507 207		27 199	100 %	99 %
Other own revenue	7 676 677	3 720 449	11 397 126	-	-	11 397 126	10 840 715		(556 411)	95 %	141 %
Total revenue (excluding capital transfers and contributions)	272 812 392	2 251 814	275 064 206	-	-	275 064 206	275 344 955		280 749	100 %	101 %
Employee costs	(107 441 676)	4 922 920	(102 518 756)	-	-	(102 518 756)	(85 766 271)		16 752 485	84 %	80 %
Remuneration of councillors	(21 502 263)	(920 188)	(22 422 451)	-	-	(22 422 451)	(22 484 811)		(62 360)	100 %	105 %
Debt impairment	(1 995 000)	-	(1 995 000)	-	-	(1 995 000)	(2 505 730)		(510 730)	126 %	126 %
Depreciation and asset impairment	(46 010 536)	-	(46 010 536)	-	-	(46 010 536)	(38 974 830)		7 035 706	85 %	85 %
Finance charges	(1 574 701)	-	(1 574 701)	-	-	(1 574 701)	(726 560)		848 141	46 %	46 %
Materials and bulk purchases	(32 185 017)	(6 174 704)	(38 359 721)	-	-	(38 359 721)	(27 760 875)		10 598 846	72 %	86 %
Transfers and grants	(11 209 307)	8 829 303	(2 380 004)	-	-	(2 380 004)	(189 620)		2 190 384	8 %	2 %
Other expenditure	(81 585 472)	(50 229 361)	(131 814 833)	-	-	(131 814 833)	(152 237 531)		(20 422 698)	115 %	187 %
Total expenditure	(303 503 972)	(43 572 030)	(347 076 002)	-	-	(347 076 002)	(330 646 228)		16 429 774	95 %	109 %
Surplus/(Deficit)	(30 691 580)	(41 320 216)	(72 011 796)	-	-	(72 011 796)	(55 301 273)		16 710 523	77 %	180 %

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	113 800 100	1 558 088	115 358 188	-	-	115 358 188	111 308 426		(4 049 762)	96 %	98 %
Surplus (Deficit) after capital transfers and contributions	83 108 520	(39 762 128)	43 346 392	-	-	43 346 392	56 007 153		12 660 761	129 %	67 %
Surplus/(Deficit) for the year	83 108 520	(39 762 128)	43 346 392	-	-	43 346 392	56 007 153		12 660 761	129 %	67 %
Capital expenditure and funds sources											
Total capital expenditure	115 202 431	22 734 526	137 936 957	-	-	137 936 957	75 808 467		(62 128 490)	55 %	66 %
Sources of capital funds	98 400 100	(1 480 000)	96 920 100	-	-	96 920 100	59 628 279		(37 291 821)	62 %	61 %
Transfers recognised - capital	16 802 331	24 214 530	41 016 861	-	-	41 016 861	16 180 188		(24 836 673)	39 %	96 %
Internally generated funds	115 202 431	22 734 530	137 936 961	-	-	137 936 961	75 808 467		(62 128 494)	55 %	66 %
Total sources of capital funds											

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	128 793 926	(1 157 772)	127 636 154	-	-	127 636 154	118 819 946		(8 816 208)	93 %	92 %
Net cash from (used) investing	(115 202 431)	(22 534 515)	(137 736 946)	-	-	(137 736 946)	(75 023 197)		62 713 749	54 %	65 %
Net cash from (used) financing	(15 399 458)	-	(15 399 458)	-	-	(15 399 458)	(16 273 890)		(874 432)	106 %	106 %
Net increase/(decrease) in cash and cash equivalents	(1 807 963)	(23 692 287)	(25 500 250)	-	-	(25 500 250)	27 522 859		53 023 109	(108)%	(1 522)%
Cash and cash equivalents at the beginning of the year	65 333 401	1 692 832	67 026 233	-	-	67 026 233	67 026 233		-	100 %	103 %
Cash and cash equivalents at year end	63 525 438	(21 999 455)	41 525 983	-	-	41 525 983	94 549 092		(53 023 109)	228 %	149 %

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The audited 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 audited 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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 audited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These audited 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 audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

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.

Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets as set out in note 15 of the financial statements. Provisions are discounted where the effect is material.

Depreciation and Amortization

Depreciation and amortization recognised on property plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the of the period of use, its current use, expected, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property (continued)

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

The nature OR type of properties classified as held for strategic purposes are as follows:

1.5 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 acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

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 is 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.

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

Item	Depreciation method	Average useful life
Land	Straight line	Undefined
Buildings	Straight line	5 - 100 years
Furniture and fixtures	Straight line	2 - 26 years
Motor vehicles	Straight line	3 - 14 years
Office equipment	Straight line	3 - 26 years
IT equipment	Straight line	3 - 17 years
Infrastructure	Straight line	
• Roads, bridges and pavements		5 - 100 years
• Electricity, reticulation and supply		9 - 60 years
• Waste disposal facilities		7 - 30 years
• Storm water		40 - 100 years
• Traffic lights		10 years
• Landfill sites		15 - 30 years
• Metering Infrastructure credit		25 years
Community	Straight line	
• Cemeteries		10 - 30 years
• Community halls		25 - 50 years
• Housing scheme houses		15 years
• Recreational facilities		10 - 50 years
Plant and Machinery	Straight line	2 - 15 years
Other property, plant and equipment	Straight line	5 - 21 years
Park Facilities	Straight line	10 - 50 years

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

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

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

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 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 uncollectibility.

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

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.

Derecognition 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
- a 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.

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.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

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 unissued 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.

Classification

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

Class	Category
Call accounts	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

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

Class	Category
DBSA Loan	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

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.

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.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

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

Impairment and uncollectibility of financial assets

The 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.

Financial assets measured at amortised cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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1.7 Financial instruments (continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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1.8 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.

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.

1.9 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost 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.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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).

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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 used 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.

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

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

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

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

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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Accounting Policies

1.11 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.11 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality 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 municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Leave pay

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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as result of the unused entitlement that has accumulated at the reporting date.

The liability is based on the total amount of leave days due to employees at reporting date and on basic salary of the employees.

Long service awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year

Annual Bonuses

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

The municipality pays out an annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

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Accounting Policies

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.

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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Accounting Policies

1.12 Provisions and contingencies (continued)

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, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on 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.

Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill site used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by valuers.

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.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. 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. The estimates of consumption between meter readings are based on average consumption. Revenue arising from consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on pre-payment basis are recognised at the point of sale.

Refuse removal

Revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Rental income

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

Tariff charges

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

Income from agency fees

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

Investment income

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Revenue arising from the use by others of municipality 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 received is recognised, in surplus or deficit using the effective interest rate method.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

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

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

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recovery of unauthorised, fruitless and wasteful expenditure

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

Taxes

The Municipality accounts for Value Added Tax on the invoice basis. Revenue, expenses and assets are recognised net of the VAT amount. The net amount of VAT recoverable from or payable to the taxation authority is disclosed on the face of the statement of financial position.

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

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are also reclassified and restated unless such comparative reclassification and/or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

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

The presentation and classification of items in the current year is consistent with the prior periods. Where there has been a reclassification or restatement the nature and reasons for the reclassification and restatement are disclosed in **note 40** 'Prior Period Errors' to the financial statements.

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 as defined in section 1 of the MFMA is expenditure -

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.20 Irregular expenditure (continued)

- (a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);
Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of MLM or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or
excludes expenditure by a municipality which falls within the definition of „unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was written-off 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

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.

1.21 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.

1.22 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in note 40 of the financial statements where applicable.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.23 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 is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The Statement of comparative and actual information has been included in the audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

1.25 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.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.25 Events after reporting date (continued)

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

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. Commitments are not recorded in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP

1.27 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the audited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.27 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.28 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is a possible inflow of resources embodying economic benefits or service potential that is subject to one or more uncertain future events beyond the control of the municipality.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

2. New standards and interpretations

2.1 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 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

2018

2017

3. Investment property

	2018			2017		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	6 131 700	-	6 131 700	5 793 770	-	5 793 770

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	5 793 770	337 930	6 131 700

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	5 661 500	132 270	5 793 770

Pledged as security

There are no investment properties that have been pledged as security and there are no restrictions on the title.

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.

Details of valuation

The effective date of the revaluations was Friday, 29 June 2018. Revaluations were performed by an independent valuer, Mrs Penny Lindstrom. Mrs Lindstrom is not connected to the municipality and has recent experience in location and category of the investment property being valued. It was determined that since there have been no movements in commercial property sales for the past 5 years the change was based on inflation.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 552 990	-	3 552 990	3 572 180	-	3 572 180
Buildings	31 834 812	(4 437 628)	27 397 184	31 665 555	(3 598 713)	28 066 842
Plant and machinery	16 725 195	(4 890 361)	11 834 834	11 469 733	(3 823 015)	7 646 718
Furniture and fixtures	15 776 460	(8 540 701)	7 235 759	13 427 990	(6 451 848)	6 976 142
Motor vehicles	12 054 492	(2 600 642)	9 453 850	9 750 183	(2 706 193)	7 043 990
Infrastructure	568 285 696	(187 159 112)	381 126 584	529 991 187	(158 341 826)	371 649 361
Community	96 378 153	(13 760 938)	82 617 215	79 767 647	(11 583 337)	68 184 310
Work in progress	88 042 329	-	88 042 329	115 358 362	-	115 358 362
Total	832 650 127	(221 389 382)	611 260 745	795 002 837	(186 504 932)	608 497 905

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3 572 180	-	(19 190)	-	-	3 552 990
Buildings	28 066 842	-	(727 939)	169 257	(838 915)	27 397 184
Plant and machinery	7 645 718	6 481 258	(30 619)	-	(1 565 203)	11 834 834
Furniture and fixtures	6 975 142	2 232 792	(1 099 691)	199 000	(2 141 556)	7 235 759
Motor vehicles	7 043 990	4 356 175	(390 694)	-	(846 624)	9 453 850
Infrastructure	371 649 361	22 170 383	(7 048 189)	18 509 457	(30 811 923)	381 126 584
Community	68 184 310	7 048 189	-	9 562 317	(2 177 601)	82 617 215
Work in progress	115 358 362	33 519 670	(32 395 672)	(28 440 031)	-	88 042 329
Total	608 497 905	75 808 467	(34 663 805)	-	(38 381 822)	611 260 745

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land	4 291 177	-	(718 997)	-	-	3 572 180
Buildings	32 890 048	965 000	(5 046 232)	165 000	(906 974)	28 066 842
Plant and machinery	8 336 115	165 200	-	-	(854 597)	7 646 718
Furniture and fixtures	6 993 819	1 982 034	(22 143)	-	(1 977 568)	6 976 142
Motor vehicles	5 433 766	2 492 490	(119 000)	-	(763 266)	7 043 990
Infrastructure	364 133 755	19 680 051	(688 738)	20 592 333	(32 068 040)	371 649 361
Community	64 237 793	5 290 394	(50 000)	753 118	(2 046 995)	68 184 310
Work in progress	88 495 845	52 971 120	(1 050 837)	(25 057 766)	-	115 358 362
	574 812 318	83 546 289	(7 695 947)	(3 547 315)	(38 617 440)	608 497 905

Pledged as security

There are no property, plant and equipment pledged as security and there are no restrictions on the title.

Compensation received for losses on property, plant and equipment – included in operating profit.

Furniture and fixtures	16 547	20 148
Motor vehicles	137 250	-
	153 797	20 148

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
4. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	63 000	319 000
Electricity infrastructure	-	75 908 320
Infrastructure	67 366 049	28 229 651
Community	20 613 281	10 901 391
	88 042 330	115 358 362

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Community Assets	9 447 323	2 759 503
Bizana sports field was previously delayed due to lack of funding however the department of sport has agreed to fund the construction as a multi-year project that will be completed in 2020.		
Roads Infrastructure	6 872 164	6 872 164
Sidanga access road, Mntomkhulu to Gxeni access road delayed due to the fine the municipality got from DEDEA for working on the bridge without the ORD.		
Electricity Infrastructure	38 460 012	47 328 275
Tsawana to Ludeke, as well Monti Ntlozelo projects were delayed due to shortage of funds. In 2017/18 Tsawana to Ludeke electrification has been completed which has reduced the amount compared to the prior year.		
	54 779 499	56 959 942

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Roads Infrastructure	1 578 148	1 578 148
Mntomkhulu to Gxeni access road delayed due to the fine the municipality got from DEDEA for working on the bridge without the ORD.		
	1 578 148	1 578 148

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	104 137 972	10 901 390	319 000	115 358 362
Additions/capital expenditure	15 553 636	17 853 778	112 257	33 519 671
Disposals(Transferred to ESKOM)	(32 395 671)	-	-	(32 395 671)
Transferred to completed items	(19 929 887)	(8 144 188)	(368 257)	(28 442 332)
	67 366 050	20 610 980	63 000	88 040 030

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	79 432 354	8 120 050	943 441	88 495 845
Additions/capital expenditure	48 066 825	4 585 295	319 000	52 971 120
Other movements (disposal)	-	(1 050 837)	-	(1 050 837)
Transferred to completed items	(23 361 207)	(753 118)	(943 441)	(25 057 766)
	104 137 972	10 901 390	319 000	115 358 362

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
4. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs	3 133 673	2 681 741
Contracted services	2 631 563	1 282 453
Fuel and Oil	176 535	-
General expenses	3 438 773	3 734 555
	9 380 544	7 698 749

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.

Change in the opening balance of the PPE

Aggregate adjustment to the carrying amounts previously reported	381 853	-
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An amount invoice amounting to R381 853 for Majazi Community Hall for work done before 30 June 2017 was received after year end and was therefore not included in the prior year Work in Progress balance.

5. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 230 799	-	1 230 799	1 230 799	-	1 230 799

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	1 230 799	1 230 799

Reconciliation of heritage assets 2017

	Opening balance	Additions	Transfers received	Total
Historical monuments	-	452 358	778 441	1 230 799

Restrictions on heritage assets

There were no restrictions on the title of heritage assets.

Pledged as security

There were no heritage assets pledged as security.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

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6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 230 573	(1 456 340)	774 233	2 893 949	(1 425 111)	1 468 838

Reconciliation of intangible assets - 2018

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1 468 838	(101 314)	(593 291)	774 233

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	2 893 949	(1 425 111)	1 468 838

Pledged as security

There are no intangible assets pledged as security and there are no restrictions on the title.

Changes in the opening balance of the Intangible assets

There were no changes made to the opening balances of intangible assets during the financial year.

7. Operating lease asset

Current assets	940 098	1 183 753
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Certain of the municipality's property is held to generate rental income. Lease agreements are renewable and have varying terms of between 9 to 20 years. There are no contingent rentals receivable. The operating lease asset arose as a result of straight-lining the lease rentals per requirements of GRAP 13.

8. Prepayments

Prepayments	13 656 837	5 830 235
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Prepaid expenses are expenditure that are paid for in one accounting period, but for which the underlying services will be received in a future period.

During the year under review the municipality paid for services that will be rendered in the following accounting period.

This was the supplier's requirement as it requires payment before services can be rendered. This supplier is:

- Belgeotex Floorcovering PTY LTD: Pre payment for delivering the soccer field turf
- Usta Trading for delivery of furniture that was not delivered by year-end

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
9. Inventories		
Inventories	449 106	472 394
Inventories (write-downs)	-	-
	449 106	472 394

Inventories consists of consumables stores.

Inventory pledged as security

There are no inventories pledged as security

There was no inventory write downs in the current financial year.

10. Other receivables from exchange transactions

Trade debtors	1 713 406	1 149 242
Unauthorised expenditure	82 832	-
Consumer debtors - Electricity	605 355	619 309
	2 401 593	1 768 551

Other receivables from exchange transactions

Trade debtors	1 713 406	1 149 242
Consumer debtors - Land Sales	210 030	210 030
Provision for bad debts consumer debtors - Land sales	(210 030)	(210 030)
Consumer debtors - Electricity	956 457	956 457
Provision for bad debts consumer debtors - Electricity	(351 102)	(337 148)
Unauthorised, irregular and fruitless expenditure	82 832	-
	2 401 593	1 768 551

Trade and other receivables pledged as security

The municipality does not have debtors that are pledged as security.

Fair value of trade and other receivables

Trade and other receivables	2 401 593	1 768 551
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Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 1 149 241 (2017: R 1 149 242) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	1 149 241	1 149 242
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Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of R 1 730 651 (2017: R 1 166 487) were impaired and provided for.

The amount of the provision was R (561 132) as of 30 June 2018 (2017: R (547 178)).

The ageing of these amounts is as follows:

Over 6 months	1 730 651	1 166 487
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Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
11. Receivables from non-exchange transactions		
Fines	1 450 105	951 699
Government grants and subsidies	403 681	4 221 021
Payroll debtors	398 127	183 840
Overpayment - Councillors remuneration	1 922 376	1 922 376
Rates	21 905 587	19 884 352
	26 079 876	27 163 288
Rates		
Consumer debtors - Rates	27 348 722	24 601 686
Provision for bad debts consumer debtors - Rates	(5 443 135)	(4 717 334)
	21 905 587	19 884 352
Rates: Aging		
Current (0 - 30 days)	609 609	604 349
31 - 60 days	447 492	179 712
61 - 90 days	2 485 589	140 597
91 - 120 days	124 102	138 639
121 - 150 days	117 967	115 597
>150 days	23 563 963	23 422 792
	27 348 722	24 601 686
Receivables from non-exchange transactions pledged as security		
No receivables from non-exchange transactions were pledged as security		
Fair value of receivables from non-exchange transactions		
Receivables from non-exchange transactions	26 079 876	27 163 288
The net balance of receivables from non-exchange transactions approximate the fair value of these receivables]		
12. VAT receivable		
VAT	27 222 037	16 066 591
VAT is recognised on an invoice basis.		

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
13. Receivables from exchange transactions		
Gross balances		
Receivables-service charges	20 602 556	17 967 058
Less: Allowance for impairment		
Provision for bad debts	(11 309 609)	(10 438 533)
Net balance		
Receivables-service charges	9 292 947	7 528 525
Receivables - Service Charges		
Current (0 -30 days)	2 546 696	2 592 228
31 - 60 days	1 028 650	1 628 474
61 - 90 days	571 833	490 118
91 - 120 days	536 136	454 180
121 - 150 days	510 419	429 212
> 150 days	15 408 822	12 372 846
	20 602 556	17 967 058
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3 235 663	185 350
31 - 60 days	1 606 574	128 941
61 - 90 days	3 076 524	123 648
91 - 120 days	545 889	117 669
121 - 150 days	739 741	113 662
> 150 days	44 873 606	6 813 008
	54 077 997	7 482 278
Less: Allowance for impairment	(6 669 736)	(6 266 382)
	47 408 261	1 215 896
Industrial/ commercial		
Current (0 -30 days)	2 214 647	2 294 597
31 - 60 days	976 211	912 176
61 - 90 days	511 713	240 240
91 - 120 days	67 617	213 287
121 - 150 days	254 618	179 637
> 150 days	8 290 356	6 442 243
	12 315 162	10 282 180
Less: Allowance for impairment	(10 083 008)	(7 818 088)
	2 232 154	2 464 092
National and provincial government		
Current (0 -30 days)	721 109	716 630
31 - 60 days	368 314	767 069
61 - 90 days	2 333 067	26 827
91 - 120 days	268 649	261 864
121 - 150 days	258 237	251 511
> 150 days	22 690 304	19 020 792
	26 639 680	21 044 693
Receivables - Services Charges		
Current (0 -30 days)	2 546 696	2 592 228

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
13. Receivables from exchange transactions (continued)		
31 - 60 days	1 028 650	1 628 474
61 - 90 days	571 833	490 118
91 - 120 days	536 136	454 180
121 - 150 days	510 419	429 212
> 150 days	15 408 822	12 372 846
	<u>20 602 556</u>	<u>17 967 058</u>
Less: Allowance for impairment	(11 309 609)	(10 438 533)
	<u>9 292 947</u>	<u>7 528 525</u>
Less: Allowance for impairment		
31 - 60 days	32	(98 163)
61 - 90 days	31	(94 483)
91 - 120 days	46	(146 165)
121 - 150 days	45	(145 079)
> 150 days	(11 309 763)	(9 954 643)
	<u>(11 309 609)</u>	<u>(10 438 533)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(10 438 533)	(4 819 298)
Contributions to allowance	(11 920 026)	(11 048 950)
Reversal of allowance	11 048 950	5 429 715
	<u>(11 309 609)</u>	<u>(10 438 533)</u>

Consumer debtors pledged as security

There were no consumer debtors pledged as security in the 2017-18 financial year.

Credit quality of consumer debtors

In determining the recoverability of consumer debt the municipality considers any changes in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the provision for impairment is determined according to the past payment patterns of each consumers within the various categories. The calculation of the provision for bad debts is automated in the system which is configured according to the national treasury scoring method.

Fair value of receivables- service charges

Consumer debtors	<u>9 292 947</u>	<u>7 528 525</u>
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The fair value of receivables from services charges is determined by taking the gross amount less allowance for impairment.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 005	25
Bank balances	13 504 738	1 622 866
Short-term deposits	81 042 348	65 403 342
	94 549 091	67 026 233

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
FNB BANK - Public Sector - Cheque Account-51704922107	13 499 124	1 627 398	4 700 891	13 504 737	1 622 866	4 698 856
FNB BANK - Public Sector - Account- 61170003788	417 420	396 661	374 236	417 421	396 662	374 236
FNB BANK - Public Sector - Cheque Account - 51701039997	1 889 183	1 788 870	1 685 117	1 879 626	1 779 314	1 675 561
FNB BANK - 32 day notice - 740-0292-4914	256 520	244 699	232 789	256 519	244 699	232 789
FNB BANK - Business Call Account - 611700303564	42 221	42 221	42 221	42 221	42 221	42 221
FNB BANK - Business Call Account - 620003246693	21 237	21 237	21 237	21 237	21 237	21 237
FNB BANK - Business Call Account - 61170003374	99 304	99 304	99 304	99 304	99 304	99 304
FNB BANK - Business Call Account - 62022692439	387 255	389 660	392 054	387 255	389 660	392 054
FNB BANK - Business Call Account - 6202224555	1 241	1 241	1 241	1 241	1 241	1 241
FNB BANK - Business Call Account - 62028477992	77 300 623	61 745 885	88 008 565	77 300 623	61 745 885	88 008 565
FNB BANK - Business Call Account - 62122946447	4 482	4 482	4 482	4 482	4 482	4 482
FNB BANK - Business Call Account - 6212246661	619 443	619 443	619 443	619 443	619 443	619 443
FNB BANK - Business Call Account - 62459758078	-	23 123	7 476	(15)	23 108	7 461
FNB BANK - Business Call Account - 62122946778	6 495	6 495	6 495	6 495	6 495	6 495
FNB BANK - Business Call Account - 62122946926	6 495	6 495	6 495	6 495	6 495	6 495
FNB BANK - Business Call Account - 62550720257	-	-	394 951	-	-	394 951
FNB BANK - Business Call Account - 62550715828	-	-	319 871	-	-	319 871
FNB BANK - Business Call Account - 62550717767	-	23 096	-	-	23 096	-
Total	94 551 043	67 040 310	96 916 868	94 547 084	67 026 208	96 905 262

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

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15. Unspent conditional grants and receipts

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts. These amounts are accounted for as a current liability until a roll-over is granted by National Treasury and the spending condition is met.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

DSRAC: Library Grant	423	139 240
LED : Economic Master Plan	301 868	301 868
Integrated National Electrification Grant	-	1 008
DHLTA-Fraud Prevention	160 280	160 280
LED-Grant	120 920	120 920
Road Maintenance IEC	263 124	263 124
Pilot Housing Trust Fund	391 620	391 620
EXT 2 Residents Trust Fund-Grant	33 802	33 802
Municipal Infrastructure Grant	-	23 096
GIS Grant - Alfred Nzo	100 000	100 000
Waste Management Grant	11 610	-
	1 383 647	1 534 958

Movement during the year

Balance at the beginning of the year	1 534 958	2 954 514
Additions during the year	119 034 319	74 403 000
Income recognition during the year	(119 185 630)	(75 822 556)
	1 383 647	1 534 958

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand 2018 2017

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	5 814 681	568 183	-	6 382 864
Provision for long service bonuses	176 449	201 722	-	378 171
Bonus provision	1 337 552	454 727	-	1 792 279
Staff leave provision	10 547 650	-	(4 881 722)	5 665 928
	17 876 332	1 224 632	(4 881 722)	14 219 242

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	4 824 635	990 046	5 814 681
Provision for long service bonuses	74 683	101 766	176 449
Bonus provision	1 185 647	151 905	1 337 552
Staff leave provision	8 029 547	2 518 103	10 547 650
	14 114 512	3 761 820	17 876 332

Non-current liabilities	4 318 896	3 585 447
Current liabilities	9 900 346	14 290 885
	14 219 242	17 876 332

Environmental rehabilitation provision

The municipality operates a refuse disposal site. In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEA) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.

Provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30 June 2018 taking into account price escalations of 5.5% relating to inflation.

A valuation of the rehabilitation was conducted by an independent valuer (Enzokuhle Enteprese) and a liability has been raised. Movements in the provision are recognised in the statement of financial performance. The provision has been determined on the basis of a recent independent financial requirement and viability study.

Long service bonus provision

The municipality offers employees long service awards (LSA) for every 5 years of service completed from 5 years of service to 45 years of service inclusive. The LSA is not a funded arrangement.

Movements in the provision are recognised in the statement of financial performance

Bonus provision

All permanent employees are entitled to receive a bonus equal to one month basic salary on their birth month therefore an accrual of the proportionate bonus is accrued from year end till the next birth date for each employee.

Staff leave provision

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

	2018	2017
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16. Provisions (continued)

The municipality offers employees 2 days for every month completed and is therefore liable to pay the employee the amount equivalent to the leave days not taken at year end upon resignation or retirement. This is calculated based on the cost to company rate per day.

The movement in the provision is recorded in the statement of financial performance.

17. DBSA Loan

DBSA loan was due 7 days from the payment dates of INEP grants to Municipalities as they are published in the Government Gazette in terms of the applicable Division of Revenue Act. The capital together with interest was paid within 2 years and the interest rate was fixed at 9.1%. The DBSA Loan was settled during the current financial year as per the agreement.

Current liabilities	-	16 273 890
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18. Payables from exchange transactions

Trade payables	10 364 785	4 065 562
Payments received in advanced	607 517	4 717 334
Other payables	(1)	42 939
Payroll creditors	76 374	107 337
Accrued expense	13 752 726	4 220 585
Unallocated receipts	805 648	783 652
Settlement arrangements	-	79 870
Provision for workmen's compensation	1 982 872	1 401 177
Retention	11 502 764	10 173 961
	39 092 685	25 592 417

The average payment period for services received is 30 days from the receipt of the invoice as required by the MFMA.

Interest charged and penalties charged for late payments have been disclosed separately.

The municipality has considered the effect of discounting trade creditors to fair value and the difference was considered immaterial. Accordingly trade and other payables approximate fair value.

Workmen's compensation provision: In terms of COID Act every employer must pay workmen's compensation to the Department of Labour. The compensation fund sends employers notices of assessment every year in April indicating the amount that must be paid. The municipality thus raises a provision for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour.

Fair value of payables from exchange transactions

Trade payables	39 092 685	25 592 417
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19. Consumer deposits

Electricity	223 072	325 769
Electricity New Connections	-	78 000
Hall Hire	386 487	55 046
	609 559	458 815

Consumer deposits for electricity are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts council can utilise the deposits as payment for the outstanding amount.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

	2018	2017
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19. Consumer deposits (continued)

Hall hire deposits are paid by consumers on hiring any of the municipal community halls. The deposit is a damage deposit and is paid back to the consumer after the event and if no damages occurred.

Consumer deposits collected do not accrue any interest.

The carrying value of consumer deposits approximates their fair value.

20. Revenue

Service charges	30 831 422	29 904 275
Rental of facilities and equipment	655 942	470 216
Agency services	1 150 355	842 878
Commissions received	114 787	100 249
Recoveries	3 883 964	-
Other income - (rollup)	755 504	1 050 999
Interest received	11 223 543	10 554 299
Property rates	19 942 068	20 255 597
Government grants & subsidies	313 815 633	255 556 626
Fines, Penalties and Forfeits	1 646 015	1 162 800
	384 019 233	319 897 939

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	30 831 422	29 904 275
Rental of facilities and equipment	655 942	470 216
Agency services	1 150 355	842 878
Commissions received	114 787	100 249
Recoveries	3 883 964	-
Other income - (rollup)	755 504	1 050 999
Interest received	11 223 543	10 554 299
	48 615 517	42 922 916

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	19 942 068	20 255 597
Licences or permits	2 296 218	2 446 270
Transfer revenue		
Government grants & subsidies	313 815 633	255 556 626
Fines, Penalties and Forfeits	1 646 015	1 162 800
	337 699 934	279 421 293

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
21. Property rates		
Rates income		
Rates levied	19 942 068	20 255 597
Valuations		
Residential	221 263 000	226 013 000
Commercial	723 914 000	759 771 000
State	1 030 283 000	1 113 298 500
Municipal	187 303 500	55 114 500
	2 162 763 500	2 154 197 000

The general valuation on properties is performed every 4 years by an independent valuer (currently being Kanyisa Properties). The last general valuation roll 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

A general rate of R 0.0090 (businesses), R 0.0050 (residential), R 0.0120 (State) is applied to property valuations to determine assessment rates. Rebates of R 55 000 are granted to residential property owners.

Rates are levied on an annual basis with the final date for payment being 30 September for annual payments. Interest at prime plus 1% per annum (2017: prime plus 1%) is levied on rates outstanding 30 days after due date.

22. Service charges

Sale of electricity	29 507 365	28 761 324
Solid waste	1 324 057	1 142 951
	30 831 422	29 904 275

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

	2018	2017
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23. Government grants and subsidies

Operating grants

Equitable share	197 681 000	175 910 000
Spatial development framework	-	275 148
Waste Management Grant	488 390	-
IDP Grant	-	256 939
MIG Operational	2 781 316	2 712 669
Financial Management Grant	2 145 000	2 217 848
Expanded Public Works Programme Grant	1 704 000	1 084 000
LGSET / Skills Development Grant	146 343	-
Dept Sport & Culture - Library	488 817	243 910
DEDEAT- Alien Plant Vegetation	-	211 314
	205 434 866	182 911 828

Capital grants

Municipal Infrastructure Grant	56 919 780	43 423 235
Integrated National Electrification Programme	34 001 004	25 000 542
Provincial Electrification Grant	17 459 983	4 221 021
	108 380 767	72 644 798
	313 815 633	255 556 626

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	119 654 319	74 403 000
Unconditional grants received	197 681 000	175 910 000
	317 335 319	250 313 000

Equitable Share

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

All registered indigents received free basic electricity amounting to R3 798 537 and free basic services amounting to R620 448.

Current year receipts	197 681 000	175 910 000
Conditions met - transferred to revenue	(197 681 000)	(175 910 000)
	-	-

DSRAC Library Grant

Balance unspent at beginning of year	139 240	33 150
Current-year receipts	350 000	350 000
Conditions met - transferred to revenue	(488 817)	(243 910)
	423	139 240

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

LED - Economic Masterplan

Balance unspent at beginning of year	301 868	301 868
Current-year receipts	-	-
	301 868	301 868

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

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23. Government grants and subsidies (continued)

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

EPWP Grant

Current-year receipts	1 704 000	1 084 000
Conditions met - transferred to revenue	(1 704 000)	(1 084 000)
	<u>-</u>	<u>-</u>

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue.

Integrated National Electrification Grant

Balance unspent at beginning of year	1 008	3 550
Current-year receipts	34 000 000	25 000 000
Conditions met - transferred to revenue	(34 001 008)	(25 002 542)
	<u>-</u>	<u>1 008</u>

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

DHLTA-Fraud Prevention Grant

Balance unspent at beginning of year	<u>160 280</u>	<u>160 280</u>
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The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

LED Capacity Grant

Balance unspent at beginning of year	<u>120 920</u>	<u>120 920</u>
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The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

IEC Grant

Balance unspent at beginning of year	<u>263 124</u>	<u>263 124</u>
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The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

IDP Grant

Balance unspent at beginning of year	-	256 939
Conditions met - transferred to revenue	-	(256 939)
	<u>-</u>	<u>-</u>

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue in the prior year.

Pilot Housing Trust

Balance unspent at beginning of year	<u>391 620</u>	<u>391 620</u>
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Audited Annual Financial Statements for the year ended 30 June 2018

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23. Government grants and subsidies (continued)

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

Ext 2 Residence Grant

Balance unspent at beginning of year	33 802	33 802
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The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

Financial Management Grant

Balance unspent at beginning of year	-	407 848
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(2 217 848)
	-	-

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue.

Municipal Infrastructure Grant

Balance unspent at beginning of year	23 096	-
Current-year receipts	59 678 000	46 159 000
Conditions met - transferred to revenue	(59 701 096)	(46 135 904)
	-	23 096

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	394 951
Surrendered back to the NRF	-	(394 951)
	-	-

The unspent funds were returned to the national revenue fund.

Municipal Support Grant

Balance unspent at beginning of year	-	275 148
Conditions met - transferred to revenue	-	(275 148)
	-	-

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue

GIS Grant - Alfred Nzo

Balance unspent at beginning of year	100 000	100 000
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The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 15).

Provincial Electrification Grant

Current-year receipts	21 277 319	-
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Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
23. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(17 459 983)	(4 221 021)
Reclassified to receivables	(3 817 336)	4 221 021
	<u>-</u>	<u>-</u>

Spending conditions were met and the amount spent but not yet transferred to the municipality has been disclosed as a receivable.

Waste Management Grant

Current-year receipts	500 000	-
Conditions met - transferred to revenue	(488 390)	-
	<u>11 610</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

DEDEAT- Alien Plant Vegetation

Balance unspent at beginning of year	-	211 314
Conditions met - transferred to revenue	-	(211 314)
	<u>-</u>	<u>-</u>

The Municipality fully met the spending conditions and the whole allocation was transferred to revenue, however in the current financial year no amount was received for the Alien Plant Vegetation

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Bill, (Bill No. 04 of 2017), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. Investment revenue

Interest revenue		
Bank	7 435 450	7 796 441
Interest charged on trade and other receivables	3 788 093	2 757 858
	<u>11 223 543</u>	<u>10 554 299</u>

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Figures in Rand	2018	2017
25. Other income		
Commissions received	114 787	100 249
Losses recovered	153 797	-
Movement in provision	3 730 167	-
Other income - (rollup)	755 504	1 050 999
	4 754 255	1 151 248
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Tender fees	316 469	242 119
Photocopy	206	-
Commission received	-	100 249
Zoning fees	-	8 492
Sundry income	191 712	448 801
Building plans	132 235	137 801
Advertising income	104 535	83 357
Vending and Hawking	-	108 470
Land sales	-	4 909
Funeral fees	10 347	5 969
Pound fees	-	11 081
	755 504	1 151 248
26. Rental of facilities and equipment		
Facilities and equipment		
Leasehold fees	629 966	434 757
Hall hire	25 976	35 012
Rental of recreational facilities	-	447
	655 942	470 216
27. Agency services		
Driver's Licenses	1 150 355	842 878
28. Fines, Penalties and Forfeits		
Illegal Connections Fines	97 702	56 000
Pound Fees Fines	70 873	-
Municipal Traffic Fines	1 477 440	1 106 800
	1 646 015	1 162 800

Mbizana Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
29. General expenses		
Advertising	932 489	701 797
Auditors remuneration	4 353 359	4 300 954
Bank charges	160 242	182 944
Commission paid	515 875	-
Consumables	3 482 106	894 372
Service delivery expenses	-	4 103 358
Fines and penalties	(73)	-
Gifts	2 485 879	-
Hire	2 891 769	-
Insurance	1 551 779	1 362 395
IT expenses	2 033 795	2 532 809
Magazines, books and periodicals	328 893	660 875
Motor vehicle expenses	45 440	15 800
Fuel and oil	2 046 283	1 498 203
Postage and courier	443	1 111
Printing and stationery	429 268	1 090 305
Protective clothing	976 426	1 464 103
Repairs and maintenance	3 438 773	3 734 555
Subscriptions and membership fees	157 056	4 670
Telephone	5 157 822	4 179 321
Training	1 347 983	1 806 560
Travel - local	11 594 123	8 154 256
Travel - overseas	106 034	-
Water	48 490	78 356
Entertainment	-	895 993
Environmental projects	-	2 274 637
Free basic services	3 798 536	4 490 819
Institutional support	-	276 465
License fees	176 295	441 580
Ward committee fees	4 767 243	3 876 084
Other expenses	2 770 794	20 998 990
	55 597 122	70 019 312
30. Gain or loss on disposal of assets and liabilities		
Property, plant and equipment	33 878 535	7 675 799
Intangible assets	101 314	-
	33 979 849	7 675 799

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
31. Employee related costs		
Basic	59 163 637	54 151 510
Bonus	4 621 265	3 856 660
Medical aid - company contributions	3 465 390	3 748 647
UIF	396 891	383 853
SDL	909 821	259 474
Provision for leave	-	3 867 491
Cellphone allowance	398 392	506 134
Pension fund contribution	5 065 010	4 757 735
Bargaining council contribution	22 248	20 329
Travel motor allowances	6 563 268	6 844 836
Long-service awards	378 172	(74 683)
Housing benefits and allowances	3 014 299	2 894 989
Other allowances	111 211	1 283 183
Overtime	937 015	910 810
Standby allowances	719 652	606 709
	85 766 271	84 017 677
Remuneration of Municipal Manager		
Annual remuneration	889 636	891 098
Car allowance	335 319	339 187
Other	245 934	122 107
	1 470 889	1 352 392
Remuneration of Chief Finance Officer		
Annual remuneration	725 869	723 977
Car allowance	267 487	282 303
Other	258 880	117 825
	1 252 236	1 124 105
Remuneration of Senior Manager: Corporate Services		
Annual remuneration	839 074	793 977
Car allowance	159 912	168 119
Other	253 795	156 911
	1 252 781	1 119 007
Remuneration of Senior Manager: Community Services		
Annual remuneration	789 901	759 117
Car allowance	178 457	190 647
Other	248 840	164 308
	1 217 198	1 114 072
Remuneration of Senior Manager: Engineering Services		
Annual remuneration	761 565	725 065
Car allowance	181 519	168 119
Other	225 804	221 963
	1 168 888	1 115 147
Remuneration of Senior Manager: Planning and Development Services		
Annual remuneration	712 069	763 611
Car allowance	178 457	190 647
Other	248 840	164 308
	1 139 366	1 118 566

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
32. Remuneration of councillors		
Car Allowance	4 933 003	4 431 289
Cellphone Allowance	2 752 800	1 584 802
Annual Remuneration	13 812 407	12 761 041
Public Office Allowance	986 600	871 615
	22 484 810	19 648 747
33. Debt impairment		
Movement-provision for bad debts	2 505 730	1 035 170
Bad debts written off	-	74 678
	2 505 730	1 109 848
34. Depreciation and amortisation		
Property, plant and equipment	38 381 717	39 229 322
Intangible assets	593 113	-
	38 974 830	39 229 322
35. Finance costs		
Current borrowings	722 752	2 168 113
Other interest paid	3 808	-
	726 560	2 168 113
36. Auditors' remuneration		
Fees	4 353 359	4 300 954
37. Grants related expenditure		
Other subsidies		
DEDEAT - Alien plant vegetation	-	166 857
Integrated Electrification	-	11 101 198
MIG Projects	-	408 052
Library Grant	-	243 910
EPWP Casuals	-	1 084 000
Financial Management Grant	-	1 983 926
MIG - Project Management	189 620	84 497
	189 620	15 072 440
Grant related expenditure consists of expenses incurred during the period in respect of various grants received. These expenses include salaries paid to interns, project management, consulting fees and project related travelling expenses.		
38. Bulk purchases		
Electricity	27 760 875	27 606 329

Mbizana Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
39. Cash generated from operations		
Surplus	56 007 154	44 312 531
Adjustments for:		
Depreciation and amortisation	38 974 830	39 229 322
Gain or loss on sale of assets and liabilities	33 979 849	7 675 799
Fair value adjustments	(337 930)	(132 270)
Debt impairment	2 505 730	1 109 848
Movements in operating lease assets and accruals	243 655	222 362
Movements in provisions	(3 657 090)	3 761 820
Transfers and non-cash disposals	-	2 768 873
Other non-cash movements	326 389	3 366 694
Changes in working capital:		
Inventories	23 288	106 174
Other receivables from exchange transactions	(633 042)	1 025 908
Consumer debtors	(4 270 152)	4 915 567
Other receivables from non-exchange transactions	1 083 412	(23 953 663)
Prepayments	(7 826 602)	538 163
Payables from exchange transactions	13 500 268	(1 665 556)
VAT	(11 155 446)	(3 656 425)
Taxes and transfers payable (non exchange)	56 200	-
Unspent conditional grants and receipts	(151 311)	(1 419 556)
Consumer deposits	150 744	18 315
	118 819 946	78 223 906

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Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure Assets	141 523 291	21 910 024
• Intergrated Electrification	9 835 495	39 700 598
• Community Assets	4 977 185	13 889 217
• Other Commitments	31 632 493	4 770 929
	187 968 464	80 270 768
Total capital commitments		
Already contracted for but not provided for	187 968 464	80 270 768
Authorised operational expenditure		
Already contracted for but not provided for		
• Consultants and professional fees	-	545 241
Total operational commitments		
Already contracted for but not provided for	-	545 241
Total commitments		
Total commitments		
Authorised capital expenditure	187 968 464	80 270 768
Authorised operational expenditure	-	545 241
	187 968 464	80 816 009
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.		
Operating leases - as lessee (expense)		
Aloe office Minimum lease payments due		
- within one year	789 293	24 364
- in second to third year inclusive	1 420 623	-
	2 209 916	24 364
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	-	1 923
The municipality is leasing out certain property to Collins Property Investments. The lease agreement has a term of 20 years and rentals escalate by 8% every annum. No contingent rents are receivable.		
Minimum lease payments receivable		
- within one year	367 131	339 936
- in second to fifth year inclusive	566 971	907 102
	934 102	1 247 038
The municipality is leasing out certain property to Africa's Best 350. The lease agreement has a term of 10 years and rentals escalate by prime lending rate at each anniversary date. No contingent rents are receivable.		
Minimum lease payment receivable		

Mbizana Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand

	2018	2017
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40. Commitments (continued)

- within one year	-	17 630
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The municipality is leasing out certain property to Blue Raindrops Trading CC. The lease agreement has a term of 12 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.

Minimum lease payments receivable

- within one year	40 032	37 067
- in second to fifth year inclusive	73 661	113 692
	<u>113 693</u>	<u>150 759</u>

The municipality is leasing out certain property to Slip Knot Investments 11 (Proprietary) Limited. The lease agreement has a term of 20 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.

Minimum lease payments receivable

- within one year	404 930	374 935
- in second to fifth year inclusive	825 737	1 230 667
	<u>1 230 667</u>	<u>1 605 602</u>

Mbizana Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
41. Contingencies		
Contingent liabilities		
At year end the municipality had the following contingent liabilities		
Cases against the municipality;		
Case 1: Thembelihle vs Mbizana Local Municipality		
Land invasion Excecuton	-	100 000
Case 2: Zwelenkosi Ngidi vs Mbizana Local Municipality		
Land invasion Excecuton	-	100 000
Case 3: L.M Damoyi vs Mbizana Local Municipality		
Neglegence of municipal employee	-	100 000
Case 4: TCN Architects vs Mbizana Local Municipality (case no. 3460/14)		
TCN Architects had failed to pay plaintiff the sum of R368 838.37 in respect of account No.2. This claim was for professional fees for specific performance	200 000	200 000
Case 5: Ngalonkulu vs Mbizana Local Municipality (case no. 3131/14)		
Mr Ngalonkulu lodged a claim for personal injuries, medical expenses & permanent disabilities sustained as a result of being electrocuted whilst on duty (employee of the municipality).	200 000	200 000
Case 6: Mfanafuthi Simon Thukwana vs Mbizana Local Municipality		
Review application in respect of the dismissed councillors	350 000	200 000
Case 7: Zukiswa Mkhizwana & Many vs Mbizana Local Municipality		
Eviction, ERF 27	-	2 520 000
Case 8: Nomazwi T. Njomi and Nomnikelo Madiba vs Mbizana Local Municipality		
Demolished structures	-	200 000
Case 9: Noncedile Dlamini & others vs Mbizana Local Municipality		
Unlawful structures or caravans	-	1 180 000
Case 10: Nomonde Khwelemthini / Mbizana Local Municipality		
There is a default judgement against the municipality	500 000	-
Case 11: Baleni & Others / Mbizana Local Municipality		
Case number 4593 / 2016	500 000	-
Case 12: Sostaz Construction JV. / Mbizana Local Municipality		
Case number 79/2018. Matter is a joint venture dispute	200 000	-
Case 13: Mbizana Local Municipality vs Nomonde Kwelemtini & Many		
Default judgement against the municipality, application to stay warrant & rescission of judgement to be argued	-	740 000
Case 14: S.S Msekelwa//Mbizana Local Municipality		
The case arose out of a claim of wrongful arrest and detention of plaintiff when he tempered with the electrical meter box. Claiming +/-R2 639 718	-	2 639 718
Case 15: T.C Nuba//Mbizana Local Municipality		
The case arose out of a claim of wrongful arrest and detention of plaintiff when he tempered with the electrical meter box. Claiming +/-R1 843 106	-	1 843 106
Case 16: L.P Teyise vs Mbizana Local Municipality		
Municipal Employees wrong management of lease	-	100 000
Case 17: Lulama Ngxabi / Mbizana Local Municipality		
This is an interdict in respect of demolished shacks and caravans	250 000	-
Case 17: Hlongwe vs Mbizana Local Municipality		
Claim from Plaintiff for damages allegedly as a result of injuries sustained where the Plaintiff alleges he was shot by a former municipal official in the course & scope of employment.	2 000 000	-
	4 200 000	10 122 824

Contingent assets

At year end the municipality had the following contingent assets

Cases lodged by the municipality;

Case 1: Mbizana Municipality vs Mvumeza Trading

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Figures in Rand	2018	2017
41. Contingencies (continued)		
To recover property of the municipality	-	300 000
Case 2: Mbizana Municipality vs A.S Ngubo		
To recover property of the municipality	-	30 000
Case 3: Ukhanyo Infrastructure Managers (PTY) LTD no. 830/2015		
The case arose out of a claim for professional fees on electrification project of Tsawana. The case is awaiting a court date, expert evidence and consultation with official of Mbizana Municipality. We are represented by N.Z Mtshambe Incorporated.	-	200 000
Case 4: Gift Fynn / Mbizana Local Municipality		
This is an unlawful extension building without the approval of the plan by the municipality	400 000	-
Case 5: Mbizana Local Municipality vs Noloyiso Mdingi		
Case 6: Mbizana Local Municipality vs Jabbar Ul Hassan Ali case no.2457/2013		
Case 7: Mbizana Local Municipality vs Mr Charles Charalombos t/a Bizana Cash and Carry		
Unlawfull extension of building without the approval of the plans	200 000	200 000
Case 8: Mbizana Local Municipality vs M.M.N Investments (PTY)Ltd Bizana Funeral Parlour		
This is a matter wherein the parlour was spreading water on the street	-	8 000
Case 9: Mbizana Local Municipality vs Cato Ridge		
Case 10: Mbizana Local Municipality vs Mfanafuthi Simon Thukwana & others		
Dismissed Councillor application, dismissed with costs	-	350 000
Case 11: Mbizana Local Municipality vs Prince Madikizela		
Lawyers are preparing the affidavit resisting the application	-	300 000
Case 12: Mbizana Local Municipality vs Aveng Infraset		
Lawyers have filled an opposing affidavit resisting summary judgement	-	300 000
Case 13: Mbizana Local Municipality vs Baleni &Others		
Opposing affidavits have been prepared and will travel to Port Elizabeth for upliftment	-	500 000
Case 14: Mbizana Local Municipality vs S. Vundla & others		
The municipality demolished properties for development purposes. The plaintiffs suffered structural loss as well as a loss of personal belongings. Actions have been withdrawn and plaintiff have failed to make payment, the municipality is moving forward with proceedings to recover the funds.	-	300 000
	600 000	2 488 000

Mbizana Local Municipality

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42. Related parties

Relationships	
Section 57 Managers	Refer to key management information
Mayor	Ms T.D Mafumbatha
Speaker	Mr S. Magini
Chief Whip	Mr M Mphetshwa
Executive Council Members	9 members
Ordinary Council members	49 Councillors

Related party balances

Debtors

Councillors overpayment	1 922 376	1 922 376
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In the 2012/13 financial year, councillors were paid remuneration that was above gazetted limits.

A debtor was raised to account for the amounts owed

Compensation to Accounting Officer and Key Management

Municipal Manager	1 470 889	1 352 392
Chief Financial Officer	1 252 236	1 124 105
Senior Manager: Corporate services	1 252 781	1 119 006
Senior Manager: Community Services	1 217 198	1 114 071
Senior Manager: Engineering Services	1 168 888	1 115 146
Senior Manager: Development Planning	1 139 366	1 118 566
Mayor	882 585	775 061
Speaker	712 091	626 862
Councillors	20 890 135	18 242 725

Key management information

Class	Description	Number
Municipal manager	Accounting officer	1
Chief Financial Officer	Accounting Officer	1
Senior Manager: Corporate services	Senior Manager	1
Senior Manager: Development Planning	Senior Manager	1
Senior Manager: Engineering Services	Senior Manager	1
Senior Manager: Community Services	Senior Manager	1
Mayor	Councillor	1
Speaker	Councillor	1
Chief whip	Councillor	1
Executive committee	Councillors	9
Councillors	Councillors	49

Mbizana Local Municipality

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43. Prior Period Errors

The following adjustments were made to the prior year financial statements due to errors noted in the prior period financial statements and reclassifications introduced with the implementation of mSCOA from 1 July 2017.

Current Provisions

In the current year provision for staff leave as well as bonus provision have been reclassified from Payables from exchange transactions to the Provisions balance within current liabilities. The correction resulted in an increase of R11 885 202.

Agency Services

Agency services was introduced as an income statement item as a result of the introduction and implementation of mSCOA. .

This resulted in a reclassification of R842 878 from licences and permits to Agency Services.

Other Income

Other Income was reduced by R100 249 as a result of a reclassification to Commission received due to the introduction and implementation of mSCOA classifications.

Commission Received

The commission income balance of R100 249 was introduced as a stand alone balance due to the introduction and implementation of mSCOA in the current year.

Licences and Permits

Agency services was introduced as in income statement item as a result of the introduction and implementation of mSCOA

This resulted in a reclassification of R842 878 from licences and permits to Agency Services

Receivables from Non-exchange Transactions

During the year it was discovered that in 2013/14 and 2014/15 there were government departments properties that were not billed for property rates.

The correction of this resulted in an increase in revceivables from non-exchange transactions by R3 738 252.

VAT Receivable

During the current year we discovered that there were invoices that were not accounted for in the correct accounting period which resulted in an increase in accruals and the corresponding input VAT balance. .

The correction of errors resulted in an increase to the VAT receivable of R 14 306

Accumulated Surplus/Loss

During the preparation of financial statements various journals were processed in order to correct prior year figures.

The cumulative effect of all the changes that have occurred resulted in a net increase in the accumulated surplus by R3 563 660

Contracted Services

The Contracted Services balances was introduced as a result of the introduction and implementation of mSCOA. The correction of this error resulted in an increase of R11 616 361.

Repair and Maintenance

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The Repairs and Maintenance line item has been removed due to the introduction and implementation of mSCOA. This amount has been recorded in the Contracted Services balance that was introduced.

The effect of the above adjustments resulted to an decrease in of R5 017 008.

General Expenditure

Due to the implementation of mSCOA the General Expenditure line item has decreased by an amount of R6 538 512 which was reclassified to Contracted Services line item.

During the current year adjustments were made to general expenses as a result of accrual reversal that resulted in further decrease of General Expenditure line item. This resulted in a net decrease of R30 421 in the General Expenditure line item.

Employee Related Costs

During the year it was discovered that there were expenditure items that were recorded and paid as an accrual for the prior years.

The correction of these resulted in a decrease of R227 385.

Property, Plant and Equipment

During the year it was discovered that an invoice relating to the construction of Majazi Community Hall was not recorded in the correct period in the prior years.

The correction of this resulted in an increase in Work in Progress of R381 853

Payables from Exchange Transactions

During the current year it was discovered that there were invoices that were not accounted for in the correct accounting period which resulted in an increase in accruals for 2016/17. Employee related provisions were also reclassified out of this balance to the provisions balance with current liabilities. There was also a reversal of creditors due to age analysis not updating creditors that were already paid.

The correction of these has resulted in a net decrease of R11 314 451.

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Re-classifications	Restated
Receivables from Non-exchange Transactions	11	23 425 036	3 738 252	-	27 163 288
VAT Receivable	12	16 052 285	14 306	-	16 066 591
Property, Plant and Equipment	4	608 116 052	381 853	-	608 497 905
Current Provisions	16	(2 405 683)	-	(11 885 202)	(14 290 885)
Payables from Exchange Transactions	18	(36 906 868)	(570 751)	11 885 202	(25 592 417)
Accumulated Surplus/ (Loss)		(678 730 810)	(3 563 660)	-	(682 294 470)
		(70 449 988)	-	-	(70 449 988)

Mbizana Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand 2018 2017

44. Prior-year adjustments (continued)

Statement of financial performance

2017

	Note	As previously reported	Correction of error	Re-classifications	Restated
Agency Services	27	-	-	842 878	842 878
Commission Received		-	-	100 249	100 249
Other Income	25	1 151 248	-	(100 249)	1 050 999
Licences and Permits		3 289 147	-	(842 878)	2 446 269
Employee Related Costs	31	(84 245 062)	227 385	-	(84 017 677)
Contracted Services	55	-	-	(11 616 361)	(11 616 361)
Repairs and Maintenance		(5 017 008)	-	5 017 008	-
General Expenditure	29	(76 588 245)	(30 421)	6 599 353	(70 019 312)
Deficit for the year		(161 409 920)	196 964	-	(161 212 955)

Cash flow statement

2017

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of Goods		48 903 339	(3 752 559)	45 150 780
Employee Cost		(103 893 809)	227 385	(103 666 424)
Payments to suppliers		(125 469 713)	3 907 026	(121 562 687)
		(180 460 183)	381 852	(180 078 331)
Cash flow from investing activities				
Purchase of Property, Plant and Equipment		(83 164 435)	(381 853)	(83 546 288)

45. Change in estimate

Property, plant and equipment

The useful lives of certain property, plant and equipment was estimated to be 2 - 21 years. In the current period management have revised their estimate to 2 - 26 years. The effect of this revision has decreased the depreciation charges for the current by R337 336. (2017: R2 174 492)-

This resulted in an increase in the carrying amount of certain property, plant and equipment by R337 336 (2017: R 2 174 492.)

The amount of the effect in future periods is not disclosed because estimating it is impracticable due to the quantity and the nature of the assets affected.

Mbizana Local Municipality

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46. 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 (municipality 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.

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.

Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

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

At 30 June 2018

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	39 092 685	-	-	-
Consumer deposits	150 744	18 315	6 954	433 546
	39 243 429	18 315	6 954	433 546

At 30 June 2017

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	25 592 417	-	-	-
Consumer deposits	18 315	6 954	433 546	-
	25 610 732	6 954	433 546	-

Liquidity risk is mainly concentrated on the trade and other payables balance. The municipality does not have any collateral and/or credit enhancements that aid in the mitigation of the liquidity risk.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand

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2017

46. Risk management (continued)

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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing 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.

The financial assets carried at amortized cost expose the municipality to credit risk. The value of the maximum exposure to credit risk are as follows for each class of financial assets at amortized cost

Financial instrument	2018	2017
Cash and cash equivalents	94 549 091	67 026 233
Other receivables from exchange transactions	2 401 593	1 768 551
Receivables from non-exchange transactions	26 079 876	27 163 288
Receivables from exchange transactions	9 292 947	7 528 525

47. Electricity Distribution Losses

Distribution losses in units for the period 2017-2018

Unit purchase during the year	24 130 303	24 435 190
Unit sold during the year	(22 807 580)	(22 723 746)
	1 322 723	1 711 444

Distribution losses in Rand for the period 2017 - 2018

Purchases	27 983 957	27 709 647
Prepaid consumer sold	(8 501 887)	(8 511 789)
Conventional consumer billed	(22 460 447)	(21 331 151)
	(2 978 377)	(2 133 293)

48. Unauthorised expenditure

Opening Balance	138 880 737	123 513 486
Current Unauthorised	52 766 753	15 367 251
	191 647 490	138 880 737

Unauthorised expenditure incurred in the current year is made up of the following:

R 864 000 over expenditure from the municipal manager's office caused by legal fees that were more than the available funds including invoices that have been outstanding for the greater part of the year and depreciation that was budgeted for under budget and treasury but due to implementation of mSCOA it could not be processed where the budget is.

R 26 632 606 over expenditure from roadworks and engineering caused by overspending depreciation that has always been budget for in the budget and treasury office however due to mSCOA classification it was processed per vote

R401 628 over expenditure from environmental services within community servicers caused by the overspending in personnel budget

R24 868 519 over expenditure from electricity caused by the current year expenditure for completed electrification projects transferred to Eskom which were budget for in the capital budget within this vote. Before mSCOA the budget per vote was combined and reflected as one however after the implementation of mSCOA capital budget is a stand alone amount from the operating budget.

The were no disciplinary actions taken against the municipality

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
49. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	8 110 325	8 110 325
Fruitless expenditure for the year	144 638	67 260
Less: Written off by council	(25 765)	(67 260)
Less: Transferred to receivables	(82 831)	-
Less: SARS amounts for 2013/14 written off during the year	(3 947 261)	-
	4 199 106	8 110 325

Details of fruitless and wasteful expenditure incurred in the current year.

Interest on overdue accounts for Eskom	112 232	67 260
Erratum and re-adverts	32 406	-
	144 638	67 260

50. Irregular expenditure

Opening balance	10 438 208	11 302 573
Add: Irregular Expenditure - current year	2 955 433	2 911 457
Less: Written off by Council	(5 327 922)	(125 660)
Less: Correction approved for 2014/15	-	(1 546 596)
Less: Written off for 2014/15	-	(79 392)
Less: Transferred to Receivable in 2013/14	-	(2 024 174)
Less: Written off by council for 2013/14	(4 126 339)	-
Less: Written off by council for 2014/15	(2 878 760)	-
	1 060 620	10 438 208

Details of irregular expenditure – current year

Irregular expenditure incurred in the current year is made up of R2 542 126 which relates to current year expenditure on the contracts for electrification of Mpindweni village which was awarded using regulation 32 of the Municipal Supply Chain Management regulations, as well as R212 207 that relates to the an Eskom employee doing business with the municipality whilst in the services of the state. It was further discovered that an amount of R110 200 was as a result of a split procurement which resulted in an incorrect procurement process followed i.e. 3 quotations instead of a 7 day notice. Lastly there is an amount of R99 900 for the appointment of Amabongo Trading where there is no evidence that any procurement processes were followed.

Council has already passed a resolution to write-off an amount of R5 327 922 relating to expenditure incurred as a result of procurement made through regulation 32 of the Municipal Supply Chain Management regulations

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

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2017

50. Irregular expenditure (continued)

Details of irregular expenditure in the prior year

In the 2013/14 audited financial statements an amount of R2 024 174 that was overpaid to councillors was reported to have been transferred to debtors however no movement was recorded in the Irregular expenditure disclosure note, leaving the total irregular expenditure overstated by the same amount.

Irregular expenditure incurred that was reported as incurred in 2016/17 amounted to R125 660 which resulted from the municipality doing business with a supplier that is not registered on the central supplier database as was required of all service providers from 1 July 2016. This relates to Progress Service Station who was supplying fuel for municipal plant. During the current financial year it was discovered that the appointments done under regulation 32 of the Municipal Supply Chain Management regulations should be classified as irregular due to the incorrect interpretation and application of the regulation. These amounted to R2 785 797 that was spent in the prior year.

In the 2014/15 financial year the MPAC recommended a write off amounting to R79 392 on the irregular expenditure however the note to the financial statements did not reflect the said recommendation resulting in an overstatement of the irregular expenditure balance.

During the 2014/15 statutory audit the AGSA identified an additional irregular expenditure amounting to R1 546 596 which was erroneously said not to have been recorded in the irregular expenditure register as disclosed in the AFS. This resulted in a duplication as these amounts were already recorded in the register submitted to AGSA for audit. The MPAC submitted a recommendation to council for these duplications to be removed and it was approved however the note was not adjusted accordingly.

Details of irregular expenditure in the prior year

Correction of corresponding amounts

Prior year irregular expenditure identified in the current year	-	2 785 797
Correction approved for 2014/15 not processed	-	(1 546 596)
Written-off in 2014/15 not processed	-	(79 392)
Transferred to receivables in 2013/14 not processed	-	(2 024 174)
	-	<u>(864 365)</u>

In the analysis of irregular expenditure for prior years it was noted that there are amounts that were dealt with by council and no accounting entries were processed to reflect the decisions taken by council.

There was also irregular expenditure incurred in the prior year as a result of regulation 32 appointments that were only identified during the current year. These were as a result of differences in specifications, scope of work and timeframes of the contracts.

Above are the details of the irregular expenditure corrections in the prior year.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand 2018 2017

50. Irregular expenditure (continued)

Deviations from supply chain management regulations

Deviations

Split procurement	110 200	-
Amobongwe Trading	99 900	-
	<u>210 100</u>	<u>-</u>

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 Treasury Supply Chain Regulations states that the accounting officer may dispense with the official procurement processes in certain circumstances, provided he records the reasons for any deviations and reports them to the next meeting of the council and include a note to the annual financial statements.

The deviations done in the current year relates to an amount of R110 200 was as a result of a split procurement which resulted in an incorrect procurement process followed i.e. 3 quotations instead of a 7 day notice, as well as an amount of R99 900 for the appointment of Amabongo Trading where there is no evidence that any procurement processes were followed.

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
51. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	191	191
Current year fees	534 028	262 489
Amount paid - current year	(534 028)	(262 489)
	191	191
Audit fees		
Opening balance	100 855	-
Current year fees	4 252 504	4 313 340
Amount paid - current year	(4 342 042)	(4 212 485)
	11 317	100 855
PAYE and UIF		
Opening balance	2 994	2 994
Current year fees	16 381 099	16 749 140
Amount paid - current year	(16 381 099)	(16 749 140)
	2 994	2 994
Pension and Medical Aid Deductions		
Opening balance	(8 262)	(13 742)
Current year fees	8 790 343	13 060 712
Amount paid - current year	(8 790 343)	(13 055 232)
	(8 262)	(8 262)
Skills Development Levy		
Current year fees	975 669	996 545
Amount paid - current year	(975 669)	(996 545)
	-	-
VAT		
VAT receivable	27 222 037	16 066 591

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Miss NN Mhlembana	602	5 750	6 352
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Miss NN Mhlembana	596	5 090	5 686

Mbizana Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2018

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
52. DBSA Loan		
At amortised cost		
DBSA loan	-	16 273 890
Current liabilities		
At amortised cost	-	16 273 890
53. Events after the reporting date		
During the month of September 2018, the municipality was served with papers of a court challenge by one service provider whose contract was terminated for non-performance claiming there were monies owing by the municipality to the service provider for works already performed before the termination notice which the municipality is opposing. The details of the matter are as follows:		
<ul style="list-style-type: none">Treated timber products (Pty) Ltd and Thunzi Consulting (Pty) Ltd JV Modikeng vs Mbizana Local Municipality.The amount and outcome are not determinable at this point.		
54. Fair value adjustments		
Investment property (Fair value model)	337 930	132 270
55. Contracted services		
Presented previously		
Other Contractors	1 814 739	1 716 040
Outsourced Services		
Administrative and Support Staff	1 246 523	-
Business and Advisory	4 407 122	-
Consultants and Professional Services		
Business and Advisory	67 000	-
Legal Cost	5 673 084	4 364 744
Contractors		
Artists and Performers	1 002 643	-
Audio-visual Services	218 530	-
Catering Services	4 676 202	-
Electrical	33 286 871	45 839
Employee Wellness	970	-
Maintenance of Buildings and Facilities	2 631 653	1 282 453
Plants, Flowers and Other Decorations	12 900	-
Safeguard and Security	5 063 785	4 207 285
	60 102 022	11 616 361

Mbizana Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2018

	Cost / Revaluation				Accumulated Depreciation				Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals			
	R	R	R	R	R	R	R	R	R	R	R
Land	3 572 180	-	(13 190)	-	3 552 990	-	-	-	-	-	3 552 990
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-
Investment Property	5 793 770	337 930	-	-	6 131 700	-	-	-	-	-	6 131 700
	9 365 950	337 930	(13 190)	-	9 684 690	-	-	-	-	-	9 684 690
Buildings	31 665 555	-	-	169 257	31 834 812	(3 598 712)	(638 915)	-	-	(4 437 628)	27 397 184
Infrastructure	3 242 860	-	-	-	3 242 860	(460 151)	(163 085)	-	-	(623 237)	2 619 624
Waste Site	507 425 559	17 933 883	(2 385 331)	18 509 457	541 483 589	(55 419 578)	30 063 025)	1 994 637	-	(183 487 966)	357 995 604
Roads	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	13 403 214	-	-	-	13 403 214	(2 231 600)	(403 014)	-	-	(2 634 614)	10 768 600
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-
Storm Water	5 919 552	4 236 500	-	-	10 156 052	(230 497)	(182 798)	-	-	(413 296)	9 742 757
Under construction	115 358 362	33 519 670	(32 395 672)	(28 440 031)	88 042 329	-	-	-	-	-	88 042 329
	645 349 548	55 690 053	(34 781 003)	(9 930 574)	656 328 025	(58 341 826)	30 811 923)	1 994 637	-	(187 159 112)	469 168 913
Community Assets	4 950 960	-	-	-	4 950 960	(787 816)	(135 371)	-	-	(923 187)	4 027 772
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	35 087 821	-	-	2 391 402	37 489 222	(7 661 729)	(1 140 361)	-	-	(8 802 090)	28 687 132
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-
Halls	39 484 643	4 676 476	-	7 170 915	51 342 034	(3 053 915)	(887 387)	-	-	(3 941 301)	47 400 732
Crèche	-	2 371 714	-	-	2 371 714	-	(1 170)	-	-	(1 170)	2 370 544
Swimming Pools	224 224	-	-	-	224 224	(79 877)	(13 313)	-	-	(93 190)	131 034
Cemeteries	-	-	-	-	-	-	-	-	-	-	-
	79 767 647	7 048 189	-	9 562 317	96 378 154	(11 583 337)	(2 177 602)	-	-	(13 760 939)	82 617 215
Heritage Assets	1 230 799	-	-	-	1 230 799	-	-	-	-	-	1 230 799
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-
	1 230 799	-	-	-	1 230 799	-	-	-	-	-	1 230 799
Total carried forward	767 379 500	63 076 173	(34 800 193)	(199 000)	795 456 479	(173 523 876)	33 828 439)	1 994 637	-	(205 357 678)	590 098 801

Mbizana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2018

	Cost / Revaluation				Accumulated Depreciation						Carrying Value		
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	767 379 500	63 076 173	(34 800 193)	(199 000)	795 456 479	(173 523 876)	33 828 439	1 994 637	-	(205 357 678)	-	-	590 098 801
Other Assets													
Office Equipment	9 052 987	1 370 494	(10 901)	199 000	10 611 580	(4 399 099)	(1 423 913)	7 725	-	(5 815 288)	-	-	4 796 292
Furniture & Fittings	634 542	227 700	-	-	862 242	(172 167)	(48 144)	-	-	(220 311)	-	-	641 931
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	9 750 183	4 356 173	(2 051 865)	-	12 054 491	(2 706 192)	(846 624)	952 174	-	(2 600 642)	-	-	9 453 850
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and Equipment	11 469 733	6 481 257	(1 222 795)	-	16 725 195	(3 823 016)	(1 565 203)	497 856	-	(4 890 362)	-	-	11 834 833
Computer Equipment	3 740 420	634 598	(72 422)	-	4 302 596	(1 880 566)	(669 499)	44 881	-	(2 505 185)	-	-	1 797 411
Computer Software	2 893 949	-	(665 376)	-	2 230 573	(1 425 111)	(593 112)	561 883	-	(1 456 340)	-	-	774 233
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets													
Office Equipment	37 541 814	13 070 222	(4 024 359)	199 000	46 786 678	(14 406 151)	(5 146 495)	2 064 518	-	(17 488 128)	-	-	29 298 550
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	804 921 314	76 146 395	(38 824 552)	-	842 243 157	(187 930 027)	38 974 934	4 059 155	-	(222 845 806)	-	-	619 397 351

Mbizana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation				Accumulated Depreciation				Other movements	Carrying Value		
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals			Impairment loss/Reversal of impairment loss	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	3 572 180		718 996		3 572 180							3 572 180
Landfill Sites												
Investment Property	5 793 770	132 270			5 793 770							5 793 770
	9 365 950				9 365 950							9 365 950
Buildings												
	31 665 555	965 000	(5 877 760)	165 000	31 665 555	(906 974)	831 244			(3 598 712)		28 066 842
Infrastructure												
Waste Site	3 242 880				3 242 880					(460 151)		2 782 709
Roads	507 425 559	16 356 614	(1 905 209)	20 592 333	507 425 559	(163 085)	1 216 470			(155 419 578)		352 005 981
Sewerage Mains & Purification	13 403 214				13 403 214	(408 605)				(2 231 600)		11 171 615
Electricity Mains												
Electricity Peak Load Equip												
Water Mains & Purification												
Reservoirs - Water												
Water Meters												
Storm Water												
Under construction	5 919 552	3 323 436			5 919 552	(102 512)				(230 497)		5 689 055
	115 358 362	52 971 120	(1 050 837)	(25 057 766)	115 358 362							115 358 362
	580 119 857	72 651 171	(2 956 346)	(4 465 433)	645 349 548	(32 068 040)	1 216 470			(158 341 826)		487 007 722
Community Assets												
Parks & Gardens	4 950 960	195 000	(50 300)		4 950 960	(130 052)				(787 816)		4 163 143
Libraries												
Recreation Grounds		194 025			35 097 821	(1 198 706)				(7 661 729)		27 436 092
Civic Buildings												
Stadiums												
Halls		4 901 368		753 118	39 494 643	(704 923)				(3 053 915)		36 440 728
Creche												
Swimming Pools												
Cemeteries	224 224				224 224	(13 313)				(79 877)		144 347
	73 774 136	5 290 393	(50 000)	753 118	79 767 647	(2 046 995)				(11 583 337)		68 184 310
Heritage Assets												
Historical Buildings		452 358		778 441	1 230 799							1 230 799
Paintings & Antifacts												
	700 259 984	79 358 922	(8 883 806)	(2 768 874)	767 379 500	(35 022 009)	2 047 714			(173 523 876)		593 855 624
Total carried forward												

Mbizana Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss			
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	700 259 984	79 358 922	(8 883 806)	(2 768 874)	767 379 500	(140 549 580)	(35 022 009)	2 047 714	-	(177 619 303)	-	593 855 624
Other Assets												
Office Equipment												
Furniture & Fittings	954 797				9 052 987	(2 653 099)	(1 439 213)	-	-	(4 399 099)	-	4 653 888
Bins and Containers	133 000				634 542	(42 343)	(44 322)	-	-	(172 167)	-	462 375
Emergency Equipment												
Motor vehicles	2 492 490		(211 353)	-	9 750 183	(2 016 239)	(763 266)	92 363	-	(2 706 192)	-	7 043 991
Fire engines												
Machinery and Equipment	165 200		(42 479)	-	11 469 733	(2 098 419)	(854 597)	-	-	(3 823 016)	-	7 646 717
Computer Equipment	894 234				3 740 420	(1 800 869)	(494 033)	20 335	-	(1 880 566)	-	1 859 854
Computer Software					2 893 949	(613 239)	(611 881)	-	-	(1 425 111)	-	1 468 838
Other Assets												
Finance Lease Assets												
Office Equipment												
Other Assets												
	33 155 935	4 639 721	(253 842)	-	37 541 814	(10 311 537)	(4 207 312)	112 699	-	(14 406 151)	-	23 135 663
Total	733 415 919	83 998 643	(9 137 648)	(2 768 874)	804 921 314	(150 861 117)	(39 229 322)	2 160 412	-	(192 025 454)	-	616 991 287

MBIZANA LOCAL MUNICIPALITY

APPENDIX D SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2018

	PRIOR YEAR			CURRENT YEAR		
	2017	2017	2017	2018	2018	2018
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R	
532 086	62 134 670	(61 602 584)	Executive & Council	871 191	68 413 554	(67 542 363)
210 149 679	104 654 373	105 495 305	Finance & Admin	233 635 349	95 963 634	137 671 715
120 976	13 921 418	(13 800 441)	Planning & Development	491 078	14 133 089	(13 642 011)
4 903 914	29 339 703	(24 435 789)	Health	730 499	22 693 030	(21 962 531)
			Community & Social Services			
			Housing			
			Public Safety	5 674 274	9 039 195	(3 364 921)
			Sport & Recreation	-	218 039	(218 039)
			Environmental Protection	148 401	2 411 284	(2 262 883)
2 226 951	14 428 711	(12 201 760)	Waste Management	3 413 020	10 497 141	(7 084 121)
			Road Transport			
			Water			
58 038 887	42 700 248	15 338 639	Electricity	81 372 241	67 541 951	13 830 290
46 503 988	10 984 825	35 519 163	Engineering	60 317 332	39 735 303	20 582 029
			Other			
322 476 480	278 163 948	44 312 532	Other Charges	386 653 385	330 646 220	56 007 165
322 476 480	278 163 948	44 312 532	Total	386 653 385	330 646 220	56 007 165

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

AS AT 30 JUNE 2018

Description	Final Budget	Actual Amount	Variance	% Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	R	R
REVENUE					
Property rates	22 341 795.05	19 942 068.00	2 399 727.05	10.74	The municipality also rates for government properties in the rural areas. Most of these properties have not been surveyed and as such the government does not pay for them.
Service charges - refuse and electricity	31 317 401.23	30 831 422.00	485 979.23	1.55	
Fines	1 924 945.00	1 646 015.00	278 930.00	14.49	
Licences and permits	2 174 271.00	2 296 218.00	-121 947.00	-5.61	The municipality just increased its operations by also including the Driver's Testing Station. This has resulted in increased revenue on licenses and permits.
Government grants and subsidies	317 838 996.00	313 815 633.00	4 023 363.00	1.27	
Rental of facilities and equipments					
Recoveries	856 306.00	655 942.00	200 364.00	23.40	The rental of facilities depends on the hiring of halls by individuals and the municipality can only hope that there is an increased demand. On the other hand the lease agreements have been smoothed and most of them are nearing their agreement term.
Other income	2 644 651.00	3 883 964.00	-3 883 964.00	-	
Interest income	11 324 828.64	2 020 646.00	624 005.00	23.59	
Total Revenue	390 423 193.92	386 315 451.00	4 107 742.92	1.05	
EXPENDITURE					
Personnel	102 518 756.04	85 766 271.00	16 752 485.04	16.34	actual amount that would be required
Remuneration of Councillors	22 422 451.38	22 484 811.00	-62 359.62	-0.28	
Depreciation and amortisation	46 010 535.90	38 974 830.00	7 035 705.90	15.29	Assets disposed leading to a decrease in depreciation
Bad debt impairment	1 995 000.00	2 505 730.00	-510 730.00	-25.60	
Contracted Services	38 412 338.00	60 102 022.00	-21 689 684.00	-56.47	There are items that are normally understood to be general expenses and repairs and maintenance but the implementation of mSCOA has moved most items into contracted services
Bulk Purchases	31 303 016.78	27 760 875.00	3 542 141.78	11.32	Savings as a result of reduction on electricity losses
Other Materials	7 056 704.00	5 931 657.00	1 125 047.00	15.94	Savings as a result of savings in materials used especially stationary
Interest and Penalties	1 574 700.75	726 560.00	848 140.75	53.86	Savings due to the interest paid in the DBSA that was lower than anticipated
General expenses	93 787 499.15	86 393 463.00	7 394 036.15	7.88	
Total expenditure	345 081 002.00	330 646 219.00	14 434 783.00		

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (2)

Budget Analysis of Capital Expenditure AS AT 30 JUNE 2018

Description	Final Budget	Additions	Variance	% Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	%	R
Executive & Council	-	-	-	-	
Finance & Admin	4 960 008.00	5 205 524.33	245 516.33	4.95	
Planning & Development	39 048 609.00	24 901 966.90	-14 146 642.10	-36.23	The budget amount includes VAT whereas the current year additions does not include VAT.
Health	-	-	-	-	
Community & Social Services	-	-	-	-	
Housing	-	-	-	-	
Public Safety	1 071 004.00	1 470 000.00	398 996.00	37.25	The vehicles purchased were more than the budgeted amount due to the change in specifications and models
Sport & Recreation	-	-	-	-	
Environmental Protection	29 800.00	-	-	-	
Waste Management	479 400.00	712 200.00	232 800.00	48.56	The difference is caused by waste bins acquired through a
Road Transport	50 569 239.00	40 810 277.12	-9 758 961.88	-19.30	The budget amount includes VAT whereas the current year additions does not include VAT.
Water	-	-	-	-	
Electricity	41 778 900.00	2 708 498.65	-39 070 401.35	-93.52	This was caused by the completed village electrification projects that were transferred to Eskom, through an operating expenditure segment
Other	-	-	-	-	
Total	137 936 960.00	75 808 467.00	-62 098 693.00	-45.02	
Other Charges					
Total Capital Expenditure	137 936 960.00	75 808 467.00	-62 098 693.00		

WIBIZANA LOCAL MUNICIPALITY

**APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
for the year ended 30 June 2018**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delayed/withheld			Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below Yes / No	Reason for Non-compliance	
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March				June
Eucalyptus MIG Grant WSIG PMG	National Treasury	82 368 000.00	55 893 000.00	49 420 000.00	-	26 390 000.00	37 862 000.00	25 098 000.00	22 814 000.00	-	-	-	-	Not applicable	Yes	
	National Treasury	29 000 000.00	19 000 000.00	1 678 000.00	-	26 390 000.00	1 819 300.00	17 834 000.00	13 635 000.00	-	-	-	-	Not applicable	Yes	
	National Treasury	2 145 000.00	-	-	-	255 470 15	298 574.52	797 288 15	793 257 18	-	-	-	-	Not applicable	Yes	
	Other	-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
GIS Grant Sports Arts and Culture Grant Expanded Public Works Programme (EPWP) Spatial Development Framework	Alfred Nzo District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
	Provincial Grant	426 000.00	786 000.00	512 000.00	-	860 620 52	45 567 00	759 014 68	64 164 64	-	-	-	-	Not applicable	Yes	
	National Treasury	20 000 000.00	14 000 000.00	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
	Provincial Grant	3 459 184.00	1 578 138.00	16 230 897.26	500 000.00	-	-	-	-	-	-	-	-	Not applicable	Yes	
Integrated Electrification Provincial Electrification Grant DEDEAT - Waste Management Grant	National Treasury	-	-	-	-	-	-	5 006 970.88	28 593 029.02	-	-	-	-	Not applicable	Yes	
	Provincial Grant	-	-	-	-	-	-	-	488 300.00	-	-	-	-	Not applicable	Yes	
Total Grants and Subsidies Received		137 309 184	101 237 139	70 859 897	500 000	53 969 641	35 025 542	49 565 274	67 107 891	0	0	0	0	Not applicable	Yes	

(*) Did year municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (1)

Budgeted Financial Performance (revenue and expenditure by standard classification)

30-Jun-18

Description	1		2		3		4		5		6		7		8		9		10		11	
	Original Budget	Adjustments (i.o. s28 & s31 Of The MFMA)	Final Adjustments Budget	Shifting of funds (i.o. s31 of the MFMA)	Virement (i.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget											
REVENUE BY SOURCES																						
Government and Administration:																						
Council																						
Mayor																						
Municipal Manager																						
Speaker																						
Budget and Treasury	207 349 443.00	27 738 551.00	235 087 994.00	-	-	235 087 994.00	233 048 801.00		-871 191.00	0%												
Corporate Services	207 005.00	-94 519.00	112 486.00	-	-	112 486.00	586 548.00		2 039 193.00	99%												
									-474 062.00	283%												
Community and Public safety:																						
Community Development	333 102.00	253 783.00	586 885.00	-	-	586 885.00	730 499.00		-143 614.00	0%												
Sport and Recreation										0%												
conomic and Environmental Services:																						
Public Safety	442 683.00	4 585 095.00	5 027 778.00	-	-	5 027 778.00	5 674 274.00		-646 496.00	0%												
Development and planning	730 293.00	-556 477.00	173 816.00	-	-	173 816.00	491 078.00		-317 262.00	67%												
Roads Works and Engineering	49 439 276.00	10 398 749.00	59 838 025.00	-	-	59 838 025.00	60 317 332.00		-479 307.00	122%												
Environmental protection										0%												
ading Services:																						
Refuse removal and cemetery	3 120 763.00	4 14 812.00	3 535 575.00	-	-	3 535 575.00	3 413 020.00		122 555.00	109%												
Electricity	50 061 061.00	35 999 576.00	86 060 637.00	-	-	86 060 637.00	81 372 241.00		4 688 396.00	163%												
	311 683 626.00	78 739 576.00	390 423 196.00	-	-	390 423 196.00	386 653 385.00		3 769 811.00	124%												
EXPENDITURE																						
Government and Administration:																						
Executive and Council																						
Budget and Treasury	65 130 879.00	-4 657 554.00	69 788 433.00	-	-	69 788 433.00	68 413 554.00		1 374 879.00	105%												
Corporate Services	63 438 053.00	-44 363 540.00	107 801 593.00	-	-	107 801 593.00	55 516 393.00		52 285 200.00	88%												
Community and Public safety:	38 222 949.00	-6 548 028.00	44 770 977.00	-	-	44 770 977.00	40 447 241.00		4 323 736.00	106%												
Community Development	21 569 393.00	-586 837.00	20 982 556.00	-	-	20 982 556.00	22 693 030.00		-1 710 474.00	0%												
Sport and Recreation	252 785.00	3 155.00	255 940.00	-	-	255 940.00	218 039.00		37 905.00	86%												
Public Safety	3 544 326.00	7 315 771.00	10 860 097.00	-	-	10 860 097.00	9 039 195.00		1 820 902.00	0%												
conomic and Environmental Services:																						
Development and planning	15 415 537.00	230 676.00	15 646 213.00	-	-	15 646 213.00	14 133 089.00		1 513 124.00	92%												
Roads Works and Engineering	18 370 908.00	-5 246 645.00	13 124 263.00	-	-	13 124 263.00	39 735 303.00		-26 611 040.00	303%												
Environmental Protection	1 137 041.00	606 097.00	1 743 138.00	-	-	1 743 138.00	2 411 284.00		-668 146.00	0%												
ading Services:																						
Refuse removal and cemetery	12 445 985.00	5 019 941.00	17 465 926.00	-	-	17 465 926.00	10 497 141.00		6 968 785.00	84%												
Electricity	36 072 677.00	6 579 189.00	42 651 866.00	-	-	42 651 866.00	67 541 951.00		-24 890 085.00	158%												
										0%												

	275 600 533.00	-41 647 771.00	345 091 006.00	-	345 091 006.00	330 646 220.00	-53 879 745.00	14 444 786.00	96%	120%
Surplus/deficit	36 083 093.00	120 387 341.00	45 332 190.00	-	45 332 190.00	56 007 165.00	53 879 745.00	18 214 597.00		

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (2)

**Budgeted Financial Performance (revenue and expenditure by municipal vote)
AS AT 30 JUNE 2018**

Description	1 Original Budget		2 Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)		3 Final Adjustments Budget		4 Shifting of funds (i.t.o s31 of the MFMA)		5 Virement (i.t.o. Council Approved By-law)		6 Final Budget		7 Actual Income		8 Unauthorised Expenditure		9 Variance		10 Actual outcome As % Of Final Budget		11 Actual Outcome As % Of Original Budget	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE																						
Mayor and Council																						
Municipal Manager																						
Budget and Treasury	231 156 739.08	-	3 931 257.92	-	235 087 997.00	-	235 087 997.00	-	-	-	235 087 997.00	-	233 048 801.00	871 191.00	-	-	-	-871 191.00	0%	0%	0%	0%
Corporate Services	219 632.24	-107 149.89	-	112 482.35	-	112 482.35	-	112 482.35	-	-	112 482.35	-	586 548.00	-	-	-	2 039 196.00	0%	0%	0%	0%	
Development and planning	217 713.47	-43 897.47	-	173 816.00	-	173 816.00	-	173 816.00	-	-	173 816.00	-	491 078.00	-	-	-	-317 262.00	283%	283%	226%	167%	
Community development	3 933 966.87	1 680 695.13	-	5 614 662.00	-	5 614 662.00	-	5 614 662.00	-	-	5 614 662.00	-	6 553 174.00	-	-	-	-938 512.00	117%	117%	117%	88%	
Refuse removal and cemetery	3 865 005.46	-329 248.45	-	3 535 757.00	-	3 535 757.00	-	3 535 757.00	-	-	3 535 757.00	-	3 413 020.00	-	-	-	122 737.00	97%	97%	97%	98%	
Infrastructure and Planning	61 025 999.96	-1 787 974.95	-	59 838 025.00	-	59 838 025.00	-	59 838 025.00	-	-	59 838 025.00	-	60 317 332.00	-	-	-	-479 307.00	101%	101%	101%	95%	
Electricity	85 593 435.01	467 201.99	-	86 060 637.00	-	86 060 637.00	-	86 060 637.00	-	-	86 060 637.00	-	81 372 241.00	-	-	-	4 688 396.00	95%	95%	95%	95%	
Total Revenue by vote	386 612 492.09	3 810 864.26	3 810 864.26	390 423 376.35	390 423 376.35	390 423 376.35	390 423 376.35	390 423 376.35	390 423 376.35	390 423 376.35	390 423 376.35	390 423 376.35	386 653 385.00	3 769 991.35	3 769 991.35	3 769 991.35	3 769 991.35	99%	99%	99%	100%	
EXPENDITURE by vote																						
Mayor and Council																						
Municipal Manager																						
Budget and Treasury	38 655 171.38	2 355 546.62	2 355 546.62	41 010 718.00	41 010 718.00	41 010 718.00	41 010 718.00	41 010 718.00	-	-	41 010 718.00	-	38 771 841.00	-	-	-	2 238 877.00	95%	100%	100%	100%	
Corporate Services	28 770 656.18	7 056.82	7 056.82	28 777 713.00	28 777 713.00	28 777 713.00	28 777 713.00	28 777 713.00	-	-	28 777 713.00	-	29 641 713.00	-	-	-	-864 000.00	103%	103%	103%	103%	
Development and planning	68 839 500.15	38 962 051.22	38 962 051.22	107 801 551.37	107 801 551.37	107 801 551.37	107 801 551.37	107 801 551.37	-	-	107 801 551.37	-	55 516 393.00	-	-	-	52 285 158.37	51%	81%	81%	81%	
Community development	45 223 389.81	-462 412.81	-462 412.81	44 760 977.00	44 760 977.00	44 760 977.00	44 760 977.00	44 760 977.00	-	-	44 760 977.00	-	40 447 241.00	-	-	-	4 313 736.00	90%	89%	89%	89%	
Refuse removal and cemetery	15 546 198.63	100 014.37	100 014.37	15 646 213.00	15 646 213.00	15 646 213.00	15 646 213.00	15 646 213.00	-	-	15 646 213.00	-	14 133 089.00	-	-	-	1 513 124.00	90%	91%	91%	91%	
Infrastructure and Planning	38 585 326.46	-4 625 406.43	-4 625 406.43	33 959 920.00	33 959 920.00	33 959 920.00	33 959 920.00	33 959 920.00	-	-	33 959 920.00	-	34 361 548.00	-	-	-	-401 628.00	101%	89%	89%	89%	
Electricity	16 285 519.37	1 062 221.63	1 062 221.63	17 347 741.00	17 347 741.00	17 347 741.00	17 347 741.00	17 347 741.00	-	-	17 347 741.00	-	10 497 141.00	-	-	-	6 850 600.00	61%	64%	64%	64%	
Total Expenditure by vote	301 508 972.23	43 571 990.14	43 571 990.14	345 080 962.37	345 080 962.37	345 080 962.37	345 080 962.37	345 080 962.37	345 080 962.37	345 080 962.37	345 080 962.37	345 080 962.37	330 646 220.00	-52 766 753.00	-52 766 753.00	-52 766 753.00	-52 766 753.00	96%	96%	96%	110%	
Surplus/deficit	85 103 519.86	-39 761 105.83	-39 761 105.83	45 342 413.98	45 342 413.98	45 342 413.98	45 342 413.98	45 342 413.98	45 342 413.98	45 342 413.98	45 342 413.98	45 342 413.98	56 007 165.00	52 766 753.00	52 766 753.00	52 766 753.00	52 766 753.00	96%	96%	96%	110%	