



MATATIELE

Annual Financial statements
for the year ended 30 June 2019

PROVINCIA DEL MOLISE
REGIONE ABRUZZO
30 NOV 2019

General Information

Executive committee

Mayor	M M Mbedia	
Speaker	N Mabuqwana	
Chief Whip	S Mngeni	
Portfolio Head: Budget and Treasury	N Ngwenya	
Portfolio Head: Economic Development	N A Nkukhu	
Portfolio Head: Community Services	S Maphasa	
Portfolio Head: Infrastructure Services	MC Setanane	
Portfolio Head: Special Programmes	S Mzozoyana	Served from 01/07/2018 to 28/03/2019
Portfolio Head: Special Programmes	ZP Bono	Served from 01/04/2019 to 20/06/2019
Portfolio Head: Corporate Services	T Dyanji	
EXCO Member	KG Biggs	
EXCO Member	WC Mdelomba	
EXCO Member	M S Bodi	
Chairperson: MPAC	S Bebe	
Chairperson: Public Participation	M Motloli	
Chairperson: Women's Caucus	N Maketela	
Members of the council		
Member	FP Libaziso	
Member	MJ Mtofo	
Member	N P Xaki	
Member	T P Likobela	
Member	S Vukwa	
Member	N C Sithole	
Member	P T Hlope	
Member	N J Makhube	
Member	CN Sambane	
Member	N J Mpopo	
Member	F Shale	
Member	L E Nkamba	
Member	X Mnconywa	
Member	ZP Bono	
Member	J G van Wyke	
Member	C L Nxesi	
Member	H M Mdingi	
Member	K E Sepuhla	
Member	N N Paula	
Member	T L Mohoto	
Member	W K Leballo	
Member	N B Nkomo	
Member	P A Mohale	
Member	I N Maketela	
Member	LE Stuurman	
Member	N R Ludidi - Mzorike	
Member	N Mosebatjane	
Member	N A Ganya	
Member	N Njobe	
Member	S N Mpolombane	
Member	TC Mabuqwana-Galo	
Member	T Motefe	
Member	T F Mchafu	
Member	TL Mofhapa	
Member	WB Potwana	

Annual Financial Statements for the year ended 30 June 2019

General Information

Member	J Mabula	
Municipal Manager	Dr DCT Nkomo	
Audit committee members	T W Tazbo	Chairperson from 1 July 2018 to 30 May 2019
	B Mdletsha	Member from 1 July 2018 to 30 May 2019
	W Moshohwe	Member from 1 July 2018 to 30 May 2019
	A Marlinson	Member from 1 July 2018 to 30 May 2019
	M Ndidi	Member from 1 July 2018 to 30 May 2019
Shared audit committee	T W Ngidiama	from 14 June 2019 to present
	N Mba	from 14 June 2019 to present
	Z Zulu	from 14 June 2019 to present
Grading of local authority	3	
Chief Financial Officer (CFO)	Mr L Ndzoku	Resigned on 30 April 2019
Acting Chief Financial Officer (CFO)	Mr K Makhomakhulu	01 May to present
Registered office	102 Main Street	
	Mtshofele	
	4730	
Physical address	102 Main Street	
	Mtshofele	
	4730	
Postal address	P.O. Box 35	
	Mtshofele	
	4730	
Bankers	Nedbank	
Auditors	Auditor General of South Africa (AGSA)	
Registered Business Telephone Number	030 737 8100	

Annual Financial Statements for the year ended 30 June 2018

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Annual Financial Statements for the year ended 30 June 2019

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 were given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) as well as the relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

I, as the Accounting Officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that at all reasonable circumstances are 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year ending, 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue operating for a foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Matatiele Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been audited by the municipality's external auditors to pass an opinion.

The annual financial statements set out on pages 5 to 82, which have been prepared on the going concern basis, were approved.


Dr DGT Nakin
MUNICIPAL MANAGER

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Notes	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	2	973,773	973,572
Receivables from non-exchange transactions	3	85,358,838	42,435,524
VAT receivable	4	1,851,133	10,894,885
Prepayments	5	4,485,439	790,522
Trade receivables from exchange transactions	6	23,832,865	15,390,949
Cash and cash equivalents	7	123,997,452	118,888,614
		<u>220,407,598</u>	<u>189,144,246</u>
Non-Current Assets			
Investment property	8	35,574,802	17,738,052
Property, plant and equipment	9	938,729,914	904,708,188
Property, plant and equipment - Capitalised restoration cost	9.1	14,126,367	14,840,112
Intangible assets	10	413,081	1,821,481
		<u>988,843,864</u>	<u>939,108,433</u>
Total Assets		<u>1,207,341,472</u>	<u>1,128,252,689</u>
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	43,287,837	45,327,850
Consumer deposits	12	298,527	280,842
Unspent conditional grants and receipts	13	3,236,254	9,821,272
Provisions	14	10,768,318	8,516,767
		<u>57,601,836</u>	<u>63,966,831</u>
Non-Current Liabilities			
Employee benefit obligation	15	16,216,831	16,269,222
Provisions	14	13,259,630	12,443,088
Payables from exchange transactions	16		55,085
		<u>29,476,461</u>	<u>28,767,395</u>
Total Liabilities		<u>86,977,297</u>	<u>91,723,187</u>
Net Assets			
Reserves	17	230,446,831	167,422,002
Restoration reserve		890,818,344	899,706,897
Accumulated surplus			
Total Net Assets		<u>1,121,264,175</u>	<u>1,037,128,903</u>

* See Note 48

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Statement of Financial Performance

	Notes	2019 R	2018 Restated ^a R
Revenue			
Revenue from exchange transactions			
Service charges	19	61,165,844	57,944,653
Rental of facilities and equipment	20	853,155	896,616
Licences and permits	21	3,278,009	3,598,251
Other income	22	2,459,008	1,503,448
Interest received	23	20,109,004	18,261,927
Total revenue from exchange transactions		67,865,020	82,204,895
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	43,280,098	25,727,287
Transfer revenue			
Government grants & subsidies	25	320,592,017	323,014,215
Public contributions and donations		2,873,871	
Fine receipts	26	3,470,859	1,295,940
Total revenue from non-exchange transactions		370,116,845	350,037,442
Total revenue	18	458,052,865	452,242,337
Expenditure			
Employee related costs	27	(109,968,177)	(101,565,802)
Remuneration of councillors	28	(19,626,185)	(18,636,382)
Remuneration of traditional leaders	29	(448,802)	(452,458)
Landfill site provision contribution	14	(816,480)	(493,872)
Depreciation and amortisation	30	(48,468,944)	(33,115,488)
Impairment loss/Reversal of impairments	31	(129,764)	(18,362,074)
Finance costs	32	(5,345)	(7,605)
Debt impairment	33	(5,847,065)	66,240
Material and stores	34	(3,645,783)	(4,547,083)
Bulk purchases	35	(39,260,298)	(37,197,201)
Contracted services	36	(67,838,057)	(62,369,681)
Conditional grants-Operating expenditure		(150,000)	-
Operating/General Expenses	37	(39,570,390)	(39,202,208)
Total expenditure		(335,773,865)	(316,913,604)
Operating surplus		122,278,797	116,328,731
Loss on disposal of assets and liabilities		(122,899,333)	(45,640,936)
Fair value adjustments		17,071,800	
		(105,827,533)	(45,640,936)
Surplus for the year		16,451,264	69,687,795

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	87,085,310	803,451,044	890,536,354
Adjustments			
Correction of errors	-	(3,438,841)	(3,438,841)
Balance at 01 July 2017 as restated*	87,085,310	800,012,203	887,097,513
Changes in net assets			
Revaluation of PPE	80,336,693	-	80,336,693
Total	80,336,693	-	80,336,693
Surplus for the year	-	69,687,795	69,687,795
Total recognised income and expenses for the year	80,336,693	69,687,795	150,024,488
Write off of stale cheques	-	6,899	6,899
Total changes	80,336,693	69,694,694	150,031,387
Restated* Balance at 01 July 2018	167,422,002	864,564,463	1,031,986,465
Changes in net assets			
Surplus for the year	-	16,451,284	16,451,284
Revaluation	89,118,286	3,153,860	72,271,948
Transfer from revaluation to accumulated surplus	(6,084,457)	5,958,957	(135,500)
Transfer in of sports field	-	890,000	890,000
Total changes	83,023,829	26,253,881	89,277,710
Balance at 30 June 2019	230,445,831	890,818,344	1,121,264,175
Note	17		

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* See Note 49

Cash Flow Statement

	Notes	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		83,329,248	80,855,251
Grants		313,978,999	330,658,661
Interest income		20,109,004	18,281,927
Other receipts		3,470,659	1,444,458
		<u>420,888,908</u>	<u>431,020,298</u>
Payments			
Payments to Suppliers and Employees		(284,248,873)	(248,995,747)
Finance costs		(5,345)	(7,806)
		<u>(284,254,218)</u>	<u>(249,003,552)</u>
Net cash flows from operating activities	38	<u>136,631,690</u>	<u>182,016,943</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	<u>(132,502,842)</u>	<u>(134,059,981)</u>
Net increase in cash and cash equivalents		4,128,848	47,956,962
Cash and cash equivalents at the beginning of the year		118,808,614	71,811,652
Cash and cash equivalents at the end of the year	7	<u>122,937,462</u>	<u>119,768,614</u>

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Annual Financial Statements for the year ended 30 June 2019

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
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	61,616,320		61,616,320	61,165,844	(650,476)	
Rental of facilities and equipment	1,700,000		1,700,000	853,155	(846,845)	Note 51
Licences and permits	3,849,000		3,849,000	3,279,009	(569,991)	Note 51
Other Income	1,596,802	(450,000)	1,446,802	2,456,006	1,012,208	Note 51
Interest received - investment	14,887,717	2,999,123	17,566,840	20,109,004	2,542,164	
Total revenue from exchange transactions	84,129,839	2,249,123	86,378,962	87,868,020	1,487,058	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	35,612,498	6,387,502	42,000,000	43,280,088	1,280,088	
Transfer revenue						
Government grants & subsidies	357,623,800	(34,720,132)	322,903,668	320,562,017	(2,341,651)	
Public contributions and donations				2,873,871	2,873,871	
Fine receipts	2,330,531	350,000	2,680,531	3,470,859	790,128	Note 51
Total revenue from non-exchange transactions	395,686,629	(27,882,630)	367,803,999	370,186,645	2,602,646	
Total revenue	479,816,468	(25,633,507)	454,182,961	458,054,665	3,871,704	
Expenditure						
Employee related costs						
Remuneration of councillors	(114,330,286)	78,168	(114,252,118)	(109,986,177)	4,265,953	Note 51
Landfill site provision contribution	(20,227,228)	-	(20,227,228)	(18,826,185)	801,043	
Depreciation and amortisation		(850,000)	(850,000)	(816,480)	33,520	
Bad Debts Impairment loss/ Reversal of impairments	(16,547,718)	(24,330,000)	(39,877,718)	(48,468,944)	(8,591,226)	Note 51
Material and stores	(5,000,000)	(885,000)	(5,885,000)	(5,847,686)	37,314	
Bulk purchases		1,211,000	(5,047,828)	(3,645,783)	1,401,446	Note 51
Contracted Services	(42,000,000)	2,000,000	(40,000,000)	(39,280,296)	719,704	
Transfers and Subsidies	(82,831,549)	13,151,404	(69,680,145)	(67,838,057)	1,842,088	
General Expenses	(150,000)		(150,000)	(150,000)		
Total expenditure	(51,267,030)	322,161	(50,944,869)	(40,154,301)	10,790,568	Note 51
Operating surplus	(337,812,041)	(9,302,277)	(346,914,318)	(335,773,885)	11,140,460	
Loss on disposal of assets and liabilities	142,064,427	(38,035,784)	107,048,643	122,276,797	15,228,154	
Fair value adjustments				(122,899,333)	(122,899,333)	
				17,071,800	17,071,800	
				(105,827,533)	(105,827,533)	
Surplus before taxation	142,064,427	(38,035,784)	107,048,643	16,451,264	(90,597,379)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	142,064,427	(38,035,784)	107,048,643	16,451,264	(90,597,379)	

Annual Financial Statements for the year ended 30 June 2019

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
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,013,930		1,013,930	973,773	(40,157)	
Receivables from non-exchange transactions	12,933,318		12,933,318	65,358,838	62,425,516	
VAT receivable				1,851,133	1,851,133	
Prepayments				4,485,439	4,485,439	
Consumer debtors	12,914,338		12,914,338	23,832,886	10,918,528	Note 51
Cash and cash equivalents	42,241,662		42,241,662	123,997,462	81,755,810	Note 51
	68,103,282		68,103,282	220,467,885	161,364,772	
Non-Current Assets						
Property, plant and equipment - Capitalised restoration cost				14,128,367	14,128,367	
Investment property	22,886,120		22,886,120	35,874,602	12,978,482	Note 51
Property, plant and equipment	886,776,745		886,776,745	838,728,814	(48,047,931)	
Intangible assets	441,777		441,777	413,081	(28,696)	
	111,916,642		111,916,642	886,043,506	(25,873,136)	
Total Assets	801,019,924		801,019,924	1,207,341,478	406,321,554	
Liabilities						
Current Liabilities						
Payables from exchange transactions	34,736,673	8,926,467	43,663,140	43,267,638	(395,502)	
Consumer deposits	388,037		388,037	289,527	(98,510)	
Unspent conditional grants and receipts				3,236,254	3,236,254	
Provisions	396,037		396,037	10,768,318	10,372,281	Note 51
	36,532,647	8,926,467	44,459,114	57,601,737	13,142,623	
Non-Current Liabilities						
Employee benefit obligation				18,215,631	18,215,631	
Provisions	26,947,508		26,947,508	13,259,530	(13,687,978)	
	26,947,508		26,947,508	28,475,161	1,527,653	
Total Liabilities	62,480,155	8,926,467	71,406,622	86,077,298	14,670,676	
Net Assets	818,539,769	(8,926,467)	909,613,357	1,121,264,174	211,650,817	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	90,214,850	8,926,468	99,141,318	232,240,420	133,099,102	
Accumulated surplus	828,324,774	(17,852,935)	810,471,839	924,345,328	113,873,489	
Total Net Assets	918,539,624	(8,926,467)	909,613,357	1,156,585,748	246,972,591	

Annual Financial Statements for the year ended 30 June 2019

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
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	96,391,984	(4,753,414)	91,638,569	83,329,248	(8,299,304)	
Grants	313,977,000	(53,279,724)	260,697,276	313,978,899	53,279,723	
Interest income	14,867,724	(6,867,053)	8,000,671	15,962,118	7,961,446	
Other receipts	9,776,340	(1,359,000)	8,417,340	3,470,688	(4,946,651)	
Fines	1,046,852	(578,658)	468,194		(468,194)	
	435,949,899	(66,837,859)	370,412,021	416,739,920	46,326,999	
Payments						
Employee costs	(316,914,468)	(9,302,528)	(326,216,996)	(284,626,841)	41,591,155	
Other payments	(150,000)	-	(150,000)	(5,345)	144,655	
	(317,064,468)	(9,302,528)	(326,366,996)	(284,631,186)	41,735,810	
Net cash flows from operating activities	118,885,412	(74,940,387)	44,045,025	132,107,834	88,062,809	
Cash flows from investing activities						
Purchase of property, plant and equipment	(142,082,100)	(5,705,935)	(147,788,035)	(132,502,842)	15,285,193	
Net increase/(decrease) in cash and cash equivalents	(23,996,688)	(60,646,322)	(103,743,010)	(395,008)	103,348,002	
Cash and cash equivalents at the beginning of the year	119,868,615	-	119,868,615	119,868,615		
Cash and cash equivalents at the end of the year	95,771,927	(60,646,322)	16,125,605	119,473,607	103,348,002	
Reconciliation						

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Accounting Policies

1. Presentation of Annual Financial Statements

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

These Annual 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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual annual financial statements have been prepared based on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. In preparing the annual financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

1.2.1 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.2.1.1 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017.

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

- a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and
- b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

1.3 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, as well as land with no determinable future use:

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

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

Subsequent measurement

Accounting Policies

1.3 Investment property (continued)

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

The residual value of property, plant and equipment has been determined using historical data and market conditions. A base level of 20 percent is applied except where specific assets are deemed to vary significantly from this estimate.

SUBSEQUENT MEASUREMENT

The following categories of Property, plant and equipment are carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses:

- Land and Buildings
- Infrastructure
- Community Assets

The following categories of Property, plant and equipment are carried on the cost model, being the cost less accumulated depreciation and any impairment losses:

- Other property, plant and equipment
- Capital under construction.

Capital under construction is not depreciated as the asset has not been brought into use yet. Land is not depreciated as it is deemed to have an indefinite useful life.

Accounting Policies

1.4 Property, plant and equipment (continued)

Revaluations are made every 5 years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The land and buildings are checked against deeds information to ensure that the properties included in the register are owned and controlled by the municipality.

Analysed the market values to ensure that the value reflect the fair value of the fixed asset concerned. The assets with significant high market values to their carrying values are assessed for reasonableness as per requirements of GRAP 17.

The market value is split between land and buildings using a 10:90 split respectively.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

DEPRECIATION

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

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost or revalued amount, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year end:

Infrastructure:	Years	Community:	Years	Other:	Years
Roads and Paving	10-30	Improvements	25-30	Buildings	30
Electricity	20-30	Recreational facilities	15-20	Specialist vehicles	10
Water	15-20	Security	03-05	Other vehicles	05-10
Sewerage	15-20	Components:		Office equipment	03-07
Landfill Sites	10-65	Doors & Iron	08-15	Furniture and fittings	07-10
Housing	30	Doors & Iron (extensive)	15-30	Watercraft	15
Pedestrian Malls	20	Fittings	05-15	Bins and containers	05-10
		Fittings and fixtures	15-30	Specialised equipment	10-15
		Windows & glazing	08-15	Other plant and equip	02-15
		Windows & glazing (extensive)	15-30	External wall	20-30
		External roof structure/covering	15-35	Floor structure	20-40
		Floor finish	05-15	Wall painting	05-10
		Wall structure (internal)	20-50	Drainage	10-30
		Electrical	10-30	Plumbing	10-30

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

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

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

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Accounting Policies

1.5 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.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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.

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.

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:
Computer software, other 3-5 years

SUBSEQUENT MEASUREMENT

Intangible assets are subsequently measured at cost less accumulated amortisation.

Intangible assets are derecognised:

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

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

Accounting Policies

1.6 Financial Instruments

Initial recognition and measurement

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. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Subsequent measurement

Financial instruments are classified as financial instruments at fair value through profit or loss where the financial instrument is either held for trading (including derivative instruments) or is designated as at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Trade Receivables

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets set out in policy note 1.9. Items with extended terms are initially recorded at the present value of future cash flows and interest received is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes investments from call accounts which are held on a 30 day notice and can be received anytime the municipality wishes to utilize the funds. These investments are measured at fair value.

Cash and cash equivalents are measured at fair value.

Financial Liabilities

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Items with extended terms are initially recorded at the present value of future cash flows.

Trade Payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

1.7 Leases

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

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

Operating leases - lessor

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

1.8 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.

The cost of inventories is assigned using the FIFO formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.8 Inventories (continued)

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

1.9 Impairment of assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash generating assets), the asset is considered impaired and is written down to its recoverable amount or recoverable service amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the profit or loss.

1.10 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.11 Employee costs

These are all costs paid by an employer in exchange for services rendered by an employee. These include employee benefits such as salaries, bonuses, housing allowance, medical and other contributions, which are recognised in the income statement during the period in which the employee renders the related service. Detailed policies can also be noted under the Employee Benefits note.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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Accounting Policies

1.12 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

All actuarial gains and losses are recognised immediately in surplus or deficit when they occur.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

1.13 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 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.

1.14 Revenue from exchange transactions

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

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.

Recognition

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

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the entity. Fair value is the amount for which an asset could be exchanged, or a liability, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Service charges relating to electricity are based on consumption. Meters are read on a quarterly 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Interest revenue is recognised on a time proportion basis.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.66 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Government grants

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Unspent conditional grants

For all conditional grants, a corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. The unspent conditional grant liability is disclosed in the Statement of Financial Position.

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Accounting Policies

1.16 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.

1.17 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.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.58 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.

1.19 Change in Accounting Policies, Estimates and Errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

1.20 Prepayments

The amount is not taken to profit or loss and other comprehensive income as an expense but disclosed as a current asset in the statement of financial position. The expense is only raised when it is incurred.

1.21 Accumulated Surplus

Included in the accumulated surplus is the previous years profits as well as the effects of changes in accounting policies and correction of errors.

1.22 IGRAP 1 - Probability of revenue

Initial Recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured.

Subsequent measurement

Subsequently, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

1.23 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

Accounting Policies

1.24 Budget Information

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

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

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

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

1.25 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments. Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

Accounting Policies

1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.29 Deferred revenue

The calculation is done on the week commencing 15 June with the assumption that the electricity purchased in the first and second week of the month will be consumed of the financial year.

An average tariff has been applied for domestic as the municipality is on stepped tariff.

The average daily consumption is over 30,417 days for the financial year.

The indebt is not deferred.

1.30 Investment income

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

1.31 Comparative figures

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

1.31 New standards and interpretations

1.31.1 Standards and Interpretations effective and adopted in the current year

GRAP 20 on Related Party Transactions

GRAP 32 on Service Concession Arrangements: Grantor

IGRAP 18 on Recognition and Derecognition of Land

IGRAP 19 on Liabilities to Pay Levies

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
2. Inventories		
Consumable stores	971,104	971,003
Medallions - at cost	2,669	2,669
	<u>973,773</u>	<u>973,672</u>

Inventories are held for own use with the result that no write downs of inventory to net realisable value were required.

3. Receivables from non-exchange transactions

Rates from non exchange transactions	75,482,770	57,400,963
Sundry Debtors	12,283,766	11,000,603
Traffic Fines Debtor	7,699,344	5,239,667
Insurance claims receivable	740,686	285,587
Impairment	(30,849,730)	(31,491,266)
	<u>66,356,836</u>	<u>42,435,524</u>

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Notes to the Annual Financial Statements

	2019 R	2018 R
3. Receivables from non-exchange transactions (continued)		
Receivables from non exchange transactions		
Current	763,676	547,770
31-60 days	771,622	589,408
61-90 days	1,292,560	1,034,091
91-120 days	1,193,118	1,131,415
121-360 days	1,227,228	6,826,650
Over 360 days	70,234,387	47,271,630
Impairment	(25,577,217)	(25,798,002)
	<u>49,905,551</u>	<u>31,602,969</u>
Sundry Debtors from non exchange transactions		
Current	65,348	50,901
31-60 days	53,744	29,601
61-90 days	25,775	5,320
91-120 days	27,561	29,114
121-360 days	3,408,205	109,102
over 360 days	8,703,133	10,776,565
Impairment	(2,898,632)	(3,319,413)
	<u>9,365,134</u>	<u>7,681,190</u>
Traffic Fines from non exchange transactions		
Current	4,162,114	50,450
31 - 60 days		119,250
61 - 90 days	1,077,580	-
91 - 120 days		191,400
121 - 365 days	2,459,671	2,882,746
Over 365 days		1,965,821
Impairment	(2,373,881)	(2,373,881)
	<u>6,325,464</u>	<u>2,865,766</u>
Sundry Debtors classification by type		
Consumers		
Current		3,928
31 - 60 days	16,771	2,904
61 - 90 days	15,174	1,584
91 - 120 days	8,845	23,262
121 - 365 days	18,732	84,703
Over 365 days	473,480	934,439
	<u>2,190,619</u>	<u>1,050,817</u>
Industrial		
Current		44,427
31 - 60 days	41,957	24,872
61 - 90 days	32,248	3,600
91 - 120 days	10,607	3,926
121 - 365 days	2,507	24,039
Over 360 days	14,929	281,565
	<u>285,735</u>	<u>382,419</u>
Government		
Current		2,546
30 - 60 days	6,620	1,825
61 - 90 days	6,322	135
	<u>6,322</u>	<u>135</u>

Notes to the Annual Financial Statements

	2019 R	2018 R
3. Receivables from non-exchange transactions (continued)		
91 - 120 days	8,323	1,927
121 - 365 days	480,125	380
Over 365 days	8,886,450	9,560,575
	<u>9,172,162</u>	<u>9,567,368</u>
4. VAT receivable		
VAT	<u>1,851,133</u>	<u>10,694,865</u>
VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.		
5. Prepayments		
Prepayments	<u>4,455,439</u>	<u>780,622</u>
An amount of R 3 690 000 were paid towards the project (Mountain view substation). Eskom still to finance quotation for this project that will be started in the 19/20 financial year. An amount of R 24 817.00 was charged incorrectly an interest on eskom bulk .Eskom did the reversal of this incorrect charge on July 2019.		
6. Trade receivables from exchange transactions		
Gross balances		
Electricity from exchange transactions	22,046,566	9,020,534
Refuse from exchange transactions	18,078,472	14,082,328
Interest accrued from investments	210,026	301,054
	<u>38,335,064</u>	<u>23,403,916</u>
Less: Allowance for impairment		
Electricity from exchange transactions	(340,206)	(1,683,677)
Refuse from exchange transactions	(14,161,993)	(6,329,090)
	<u>(14,502,199)</u>	<u>(8,012,967)</u>
Net balances		
Electricity from exchange transactions	21,706,360	7,336,858
Refuse from exchange transactions	1,916,479	7,753,238
Interest accrued from investments	210,026	301,054
	<u>23,832,865</u>	<u>15,390,950</u>
Electricity		
Current (0 -30 days)	18,729,424	4,798,428
31 - 60 days	918,707	3,720,079
61 - 90 days	511,847	80,329
91 - 120 days	152,594	29,283
121 - 365 days	251,772	92,765
> 365 days	1,482,223	299,669
	<u>22,046,568</u>	<u>9,020,533</u>

Notes to the Annual Financial Statements

	2019 R	2018 R
5. Trade receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)		
31 - 60 days	768,888	1,149,725
61 - 90 days	603,018	275,929
91 - 120 days	384,127	261,435
121 - 365 days	310,447	237,845
> 365 days	284,352	1,362,531
	13,815,237	14,283,384
	16,083,889	17,580,849
Interest		
> 365 days	210,026	301,054

Notes to the Annual Financial Statements

	2019 R	2018 R
6. Trade receivables from exchange transactions (continued)		
Summary of debtors by customer classification electricity and refuse		
Consumers	508,443	487,606
Current (0 -30 days)	400,021	353,155
31 - 60 days	331,189	241,205
61 - 90 days	284,482	237,868
91 - 120 days	280,938	1,508,012
121 - 365 days	13,437,451	10,453,154
> 365 days	15,222,524	13,260,890
	(13,810,207)	(10,767,811)
Less: Allowance for impairment	1,412,317	2,503,379
Industrial/ commercial	18,156,842	2,348,540
Current (0 -30 days)	440,123	181,225
31 - 60 days	108,228	78,204
61 - 90 days	48,931	31,340
91 - 120 days	63,889	108,988
121 - 365 days	683,216	612,343
> 365 days	19,501,209	3,360,618
	(691,994)	(1,428,259)
Less: Allowance for impairment	18,809,216	1,932,359
National and provincial government	830,828	615,678
Current (0 -30 days)	578,775	185,873
31 - 60 days	456,557	188,782
61 - 90 days	129,628	72,568
91 - 120 days	211,562	95,427
121 - 365 days	1,176,780	38,814
> 365 days	3,385,118	1,207,260
Total	19,486,054	9,379,977
Current (0 -30 days)	1,419,492	4,553,281
31 - 60 days	895,974	860,265
61 - 90 days	463,041	608,872
91 - 120 days	536,124	3,157,701
121 - 365 days	16,313,781	29,146,219
> 365 days	38,124,486	47,706,295
	(14,502,200)	(12,185,870)
Less: Allowance for impairment	23,622,286	36,520,426
Reconciliation of allowance for impairment	(8,012,967)	(11,141,480)
Balance at beginning of the year	(5,489,232)	3,128,513
Contributions to allowance	(14,502,198)	(8,012,967)

Notes to the Annual Financial Statements

	2019 R	2018 R
6. Trade receivables from exchange transactions (continued)		
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired.		
As of 30 June 2019, consumer debtors of R 1 299 999 (2018: 1 048 745) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	568,779	458,033
2 months past due	400,021	352,234
3 months past due	331,199	240,478

Consumer debtors impaired

As of 30 June 2019, consumer debtors of R 13,810,205 (2018: R 12 185 870) were impaired and provided for.

The amount of the provision was R 13,810,205 (2018: R 12 185 870) as of 30 June 2019

The ageing of these debtors is as follows:

3 to 6 months	1,786,018	668,362
Over 6 months	13,437,451	11,522,508

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,250	1,250
Bank balances	11,898,620	3,411,033
Short-term deposits	112,596,582	116,456,301
	<u>125,997,452</u>	<u>119,868,614</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Nedbank - Current Account (main) - 1011292106	11,028,464	2,482,318	10,409,097	(1,201,127)
Standard Bank- Current Account - 060435224	338,707	418,287	338,707	418,287
First National Bank - Current Account - 62108495187	650,815	4,195,903	650,815	4,195,903
Standard Bank - 60 Day Notice Account - 68800704/001	21,805,637	58,205,143	21,805,637	58,205,143
First National Bank - Money Market - 62108496573	6,805,414	6,806,098	6,805,414	6,806,098
NedBank - Call Account - 03/77881006129/000004	48,425,772	12,915,629	46,425,772	12,915,529
NedBank - Call Account - 03/7881120797/000001	2,898,956	4,857,088	2,898,956	4,857,088
NedBank- Call Account - 03/7881127902	9,428,544	6,124,556	9,428,544	6,124,556
NedBank - 32 day Notice - 03/7881006129/0006	5,769,819	5,387,068	5,769,819	5,387,068
First National Bank - Money Market - 62215611121	1,851,768	1,780,739	1,851,758	1,780,739
First National Bank -Money Market - 62286478906	563,576	535,951	563,576	535,951
NedBank-Call Account -03/7881134496/000001	48,985	47,029	48,985	47,029
NedBank-Call Account -03/7881134550	5,245,037	4,833,836	5,245,037	4,833,836
Nedbank - Electrification -03/7881140356	249,602	210,848	249,602	210,848
Standard Bank Call Account - 68800704/002	10,324,622	9,854,268	10,324,622	9,854,268
Nedbank MIG - 7881098624/00001	997,967	4,844,897	997,967	4,844,897
First National Bank - 6217530045	182,105	173,154	182,105	173,154
Total	124,613,578	123,583,810	123,896,211	118,867,383

3 NOV 2019

Notes to the Annual Financial Statements

	2019 R		2018 R	
8. Investment property				
	2019		2018	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	35,574,602	- 35,574,602	17,738,052	- 17,738,052

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	17,738,052	17,836,550	35,574,602

As per the new valuation roll, The adjustment is related to the Vacant land owned by the municipality not in the register previously, The exercise of the revaluation between Investment property, Land and Buildings, Community assets and Reconciliation with valuation roll identified the adjustment to be made. It was therefore impracticable to determine the previous years values for these properties.

Reconciliation of investment property - 2018

	Opening balance	Disposals	Correction of error	Total
Investment property	20,457,400	(437,500)	(2,281,848)	17,738,052

The Municipality had duplicate properties held within the Investment Property register and financial records. This has been corrected in the previous financial year. Refer to note 49 for the correction relating to prior years.

All of the municipality's investment properties are held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality and are held for capital appreciation.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

A register of investment property is available at the municipal offices.

The effective date of revaluations was 1 July 2018.

The valuation was performed using data based on arms length transactions and related market evidence.

Rental revenue from investment property	1 009 266	874
985		

Notes to the Annual Financial Statements

	2018		2017	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
8. Property, plant and equipment				
		Carrying value		Carrying value
Land	20,857,700	-	20,857,700	17,897,987
Buildings	53,879,688	(13,940,417)	69,839,151	54,229,712
Infrastructure	483,933,595	(34,029,707)	449,903,888	455,768,555
Community	185,119,030	(59,898,315)	125,420,715	142,892,748
Other property, plant and equipment	65,180,159	(19,590,579)	45,589,580	60,758,787
Capital under construction	225,016,860	-	225,018,880	-
Total	1,063,988,932	(127,259,018)	936,729,914	994,279,968

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals/ transfers to other institution	Transfers received	Revaluations	other adjustment	Depreciation	Impairment loss	Total
Land	17,897,987	154,000	-	-	2,805,713	-	-	-	20,857,700
Buildings	46,888,576	178,450	-	-	26,325,041	-	(3,453,918)	-	69,938,161
Infrastructure	450,944,887	1,334,328	-	28,828,714	-	-	(29,205,019)	-	449,903,888
Community	90,449,181	718,400	-	4,490,279	33,883,075	2,719,520	(6,848,840)	-	125,420,715
Other property, plant and equipment	35,786,405	9,863,844	(7,135,925)	11,772,478	-	-	(4,377,859)	(129,764)	46,589,579
Capital under construction	282,731,179	121,297,062	(115,816,890)	(43,092,471)	-	-	-	-	225,018,880
	904,708,195	133,347,182	(123,062,716)	-	63,023,829	2,719,520	(43,886,434)	(129,764)	936,729,813

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals/ transfers to other institution	Transfers	Revaluations	Correction of error	Depreciation	Impairment loss	Total
Land	16,719,942	-	-	-	-	1,178,345	-	-	17,897,987
Buildings	56,332,815	-	-	1,440,336	-	(10,186,416)	(688,160)	-	46,908,576
Infrastructure	376,103,970	85,000	(43,923,947)	62,517,780	80,336,693	2,378,695	(22,859,327)	(3,873,695)	450,944,889
Community	90,614,148	-	-	11,877,262	-	9,786,733	(5,310,883)	(15,518,077)	90,449,183
Other property, plant and equipment	37,923,982	1,306,985	(4,258)	(75,635,378)	-	90,000	(3,489,895)	-	35,786,404
Capital under construction	206,380,377	136,037,382	(2,010,231)	(75,635,378)	-	(1,040,971)	-	-	282,731,179
	783,274,334	137,409,347	(46,938,436)	-	80,336,693	1,184,307	(32,146,055)	(19,392,072)	904,708,195

Notes to the Annual Financial Statements

	2018 R	2019 R
9. Property, plant and equipment (continued)		
9.1 Property, plant and equipment - Capitalised Restoration Cost		
Capitalised Restoration Cost - Carrying Value	14,126,367	14,640,112
The movement in capitalised restoration cost is reconciled as follows:		
Cost	14,640,112	14,640,112
Accumulated Depreciation	(513,745)	
	14,126,367	14,640,112

The landfill site in the previous years was not depreciated. The opening cost 01/07/2018 is basically the carrying value at 30 June 2018.

The municipality is required by relevant Environmental Legislation to rehabilitate landfill site at the closure date. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and IGRAP 2, relates to the initial estimate of costs involved to restore landfill site under control of the Matatiele Local Municipality.

Although this item is accounted for under Property, Plant and Equipment Standard (GRAP 17), the characteristic and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 14 for more detail relating to this asset financed by way of a provision.

Projects taking significantly longer than expected to complete

The municipality performed an assessment to identify any projects to be disclosed, and there is none.

The municipality identified assets to the value of R448 379 that needs to be written off. These assets are to approved by council in the next council meeting.

Repairs and Maintenance

Repairs on buildings	2,025,811	1,993,502
Repairs on equipment	2,927,454	2,432,109
Repairs on mains	7,103,462	5,063,815
	12,056,727	12,489,526

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within community	Included within PPE	Total
Additions/capital expenditure	128,897,769	24,592,561	73,528,575	225,018,925

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Additions/capital expenditure	195,873,835	9,861,003	56,996,207	262,731,145

Notes to the Annual Financial Statements

	2019 R	2018 R
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9. Property, plant and equipment (continued)

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.

10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,994,883	(3,581,802)	413,081	3,994,883	(2,373,402)	1,621,481

Reconciliation of intangible assets - 2019

	Opening balance	Disposals	Amortisation	Total
Computer software	1,621,481	(285,000)	(923,400)	413,081

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	2,513,006	29,000	(920,527)	1,621,481

Other information

There is a register containing the information required by Section 63 of the MFMA which is available for inspection at the registered office of the Municipality.

11. Payables from exchange transactions

Accrued expense	(9)	4
Bonus accrual	2,160,966	1,706,026
Income received in advance	4,296,132	3,354,934
Other creditors	2,839,997	2,773,377
Trade payables	34,000,751	37,494,610
	<u>43,297,837</u>	<u>45,327,850</u>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframes.

Income received in advance is due to payments received for hall hire, sale of municipal vacant plots and prepaid electricity

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

Bonus accrual is calculated on a 13th cheque attributable to all staff.

Notes to the Annual Financial Statements

	2018 R	2016 R
12. Consumer deposits		
Electricity	299,527	290,842
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Establishment Plan		63,798
Grant-MIG		4,030,700
Grant- IDP Fund		59,683
LED projects	508,536	508,536
Library upgrade	547,245	1,012,200
National: FMG grant		1,126
DME Elec INEP Grants	1,964,220	3,883,968
Other grants	218,254	219,396
Spatial development		43,865
	3,236,255	9,821,272

Refer to note 25 for reconciliation of grants and receipts.

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	12,443,069	816,461		13,259,530
Performance bonus	811,231		(12,731)	798,500
Leave	7,704,536	2,265,262		9,969,818
	20,958,836	5,081,743	(12,731)	26,027,848

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	11,949,197	483,872	12,443,069
Performance bonus	795,245	15,988	811,231
Leaves	6,523,698	1,180,838	7,704,536
	19,268,140	1,690,696	20,958,836
Non-current liabilities		13,259,530	12,443,069
Current liabilities		10,768,318	8,515,767
		24,027,848	20,958,836

Performance Bonus

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Notes to the Annual Financial Statements

	2018 R	2018 R
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14. Provisions (continued)

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

Environmental rehabilitation provision

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry, " All land fills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenance and leachate management."

The financial implications for the rehabilitation of the landfill site were performed by Hendrik Adriaan Roets, who is registered with the South African Institution of Civil Engineering. This was carried out on the 25 July 2018 for the effective date, 30 June 2018. Currently no appointment for the closure has been made, and therefore estimates have been compiled. The provision is based on a 15 year estimation.

Landfill sites generally fall into 3 categories, which are separated by the size of the landfill, the type of waste and the amount of leachate produced. The land fill site closure design is based on it falling in the G:S:B+ formation which has the following capping layers:

- 200mm Topsoil
- 300mm Compacted clay

In calculating the provision for rehabilitation, the following four items have been included:

Direct contract costs - this equates to a unit cost of 90 Rand per square meter based on previous closure of the Ducats landfill. Unit costs are used to estimate rehabilitation costs until a service provider is appointed to perform an investigation and design

Indirect professional fees - these fees are fixed and are based on a percentage of the contract.

Indirect disbursements - These are estimated by obtaining quotations from third party service providers for similar works.

Escalation has also been considered and included in the costs.

The monetary value for the provision for the landfill site at 30 June 2018 is R 13 259 530 (2017: R12 433 069)

Notes to the Annual Financial Statements

	2018	2017
	R	R

14. Provisions (continued)

Environmental rehabilitation provision

Rehabilitation Provision - Landfill Site	13,259,530	12,443,089
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The movement in Rehabilitation Provision - Landfill Site are reconciled as follows:

Opening Balance	12,443,069	11,949,197
Contribution during the year	816,461	493,872
	13,259,530	12,443,089

It is estimated that the site will not be rehabilitated within 1 year from the reporting date and thus there is no short term portion associated with this provision. The timing of the outflow of resources relating to this provision is uncertain, but management expects the timing to be in line with the legal requirement subsequent to the expected closure date of the site as indicated below.

The total obligation at year-end is attributed to the following site:

Site	Expected Closure Date	2018	2017
Matatiele Landfill Site	2023	13,259,530	12,443,089

The Environmental Specialists were utilised to determine the cost of rehabilitation of landfill site as well to assist the municipality in identifying any changes (if any) to estimated to estimated closure dates previously reported on in former entities.

The estimated area per site to be rehabilitated at year end were as follow (Rehabilitation area - per metre squared).

Matatiele Landfill Site	169,002	160,000
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The cost of rehabilitation per square metre is based on the current cost of construction at each reporting period. The cost per square metre were estimated as follows:

Matatiele Landfill Site	56	83
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15. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	14,887,868	14,862,978
Present value of the defined benefit obligation-partly or wholly funded	347,863	416,244
	15,235,731	15,279,222

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

Opening balance	11,882,447	10,492,844
Contributions by plan participants	(568,015)	(497,185)
Net expense recognised in the statement of financial performance	804,217	1,686,788
	11,830,649	11,682,447

Notes to the Annual Financial Statements

	2018 R	2018 R
15. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	1,765,491	1,041,888
Interest cost	1,376,666	1,002,228
Actuarial (gains) losses	(2,337,940)	(357,328)
	804,217	1,686,788

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the results of the Medical Aid Funds, with which the municipality is associated a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 08 August 2019 by Chanan Weiss of ARCH Actuarial Consulting, fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5 years and every 5 years thereafter of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	62	63
Discount rates used	9.35 %	9.72 %
Expected rate of return on assets	7.98 %	7.98 %
Expected rate of return on reimbursement rights	1.60 %	1.60 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3,152,157	3,152,157
Effect on defined benefit obligation	12,461,000	12,461,000

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

	2018 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	15,215,831	15,269,222	13,489,265	10,789,296	8,698,503
Surplus (deficit)	(15,215,831)	(15,269,222)	(13,489,265)	(10,789,296)	(8,698,503)

Notes to the Annual Financial Statements

	2019 R	2018 R
16. Payables from exchange transactions		
The table below reflects the non-current portion of cellphone contracts taken out for the council. It is the amounts payable after more than a year.		
Trade payables		55,065
17. Revaluation reserve		
Opening balance	167,422,003	87,085,311
Change during the year	63,023,828	80,336,692
	230,445,831	167,422,003

The revaluation reserve arose on the revaluation of land and buildings and infrastructure asset in prior periods. Where revalued land and buildings and infrastructure assets are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated surplus. The revaluation reserve is also realised through the transfer of depreciation on revalued assets to accumulated surplus. Distribution from the revaluation reserve can be made where they are in accordance with the requirements of the municipality's accounting policy and relevant case law. The payment of cash distribution out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to accumulated surplus. The council does not currently intend to make any distributions from the revaluation reserve.

18. Revenue

Fine receipts	3,470,659	1,285,940
Government grants & subsidies	320,582,017	323,014,215
Licences and permits	3,278,009	3,598,251
Interest received - investment	20,109,004	18,261,927
Other income	2,459,008	1,503,446
Property rates	43,280,098	25,727,287
Public contributions and donations	2,673,871	-
Rental of facilities and equipment	863,155	886,616
Service charges	61,165,844	57,944,653
	458,052,665	432,242,335

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

Interest received - investment	20,109,004	18,261,927
Licences and permits	3,278,009	3,598,251
Other income	2,459,008	1,503,446
Rental of facilities and equipment	863,155	886,616
Service charges	61,165,844	57,944,653
	87,866,020	62,204,893

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

Taxation revenue		
Property rates	43,280,098	25,727,287
Transfer revenue		
Fine receipts	3,470,659	1,285,940
Government grants & subsidies	320,582,017	323,014,215
Public contributions and donations	2,673,871	-
	370,188,645	350,037,442

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Notes to the Annual Financial Statements

	2018 R	2018 R
19. Service charges		
Refuse removal	10,009,334	9,450,515
Sale of electricity	51,156,510	48,494,138
	<u>61,165,844</u>	<u>57,944,653</u>
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
20. Rental of facilities and equipment		
Garages and parking	154,075	146,076
Hall Hire	681,671	719,987
Site Rental	17,409	30,553
Stadium Hire	<u>853,155</u>	<u>896,616</u>
21. Licenses and permits		
Drivers and Motor Vehicle licenses	3,242,893	3,565,818
Fishing licenses	20,565	11,418
Hoarding permit	4,130	3,950
Business licenses	11,421	17,065
	<u>3,278,009</u>	<u>3,598,251</u>
22. Other Income		
Ticket Sales	-	128,631
Sundry services	17,800	58,990
Rezoning certificates	13,849	20,479
Pool fees	42,141	41,397
Rates certificates	21,645	16,607
Building plans	187,482	199,877
Camping Fees	6,002	2,337
Commission fees	29,667	-
Photo copies	36	234
Cemetery fees	76,246	67,725
Tender documents	538,024	737,200
Actuarial gains	1,172,102	-
Sub-division planning	11,684	250
SETA refund	213,164	198,438
Special consent	30,037	16,786
Temporary structure planning	8,643	5,146
Discount Received	101,084	-
Demolition fees	11,382	8,349
	<u>2,458,008</u>	<u>1,503,446</u>
The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
23. Interest received		
Interest revenue	-	-
Interest on short-term bank deposits	10,495,104	8,988,913
Interest on Electricity and rates	8,613,900	9,273,014
	<u>20,109,004</u>	<u>18,261,927</u>

Notes to the Annual Financial Statements

	2019 R	2018 R
24. Property rates		
Rates		
Residential	6,259,083	5,337,894
Commercial	5,440,270	7,048,806
Vacant Land	720,798	405,868
Municipal	28,387,054	12,476,208
Public benefit organisation		382,899
Communal land	2,472,815	75,312
	43,280,098	26,727,287

Supplementary assessment rates are levied on the value of land and improvements, for which a valuation is performed every five years. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new valuation roll has been implemented from 1 July 2018.

Valuations

Residential	1,408,345,334	1,009,242,850
Commercial	912,404,923	788,908,364
State	1,254,998,411	564,229,504
Vacant land	38,704,310	21,185,000
Municipal and Local Government (Rural)	1,483,552,385	881,867,120
Exempted properties	394,712,450	307,138,287
	6,483,717,843	3,370,572,125

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
25. Government grants and subsidies		
Operating grants		
Equitable share	207,642,000	185,808,000
Human settlements	-	776,201
	<u>207,642,000</u>	<u>186,586,201</u>
Capital grants		
INEP	43,079,748	76,117,558
EPWP Incentive	3,185,000	2,780,000
Electrification Support	-	9,308,060
Library Upgrade	1,064,953	459,759
National: FMG Grant	1,701,128	1,698,874
National: MIG Grant	63,720,700	46,057,300
Other Grants	168,489	8,462
	<u>112,920,017</u>	<u>136,428,014</u>
	<u>320,562,017</u>	<u>323,014,215</u>

Donation of R150 000 was given to enhance the SMMEs funded from the Equitable Share.

Equitable Share

In terms of the Constitution, this grant is used unconditionally for the provisioning of basic services to support indigent communities.

National: FMG grant

Balance unspent at beginning of year	1,126	-
Current-year received	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,701,126)	(1,698,874)
		<u>1,126</u>

National: MIG grant

Balance unspent at beginning of year	4,030,700	
Current-year receipts	59,690,000	50,088,000
Conditions met - transferred to revenue	(63,720,700)	(46,057,300)
	-	<u>4,030,700</u>

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Notes to the Annual Financial Statements

	2019 R	2018 R
25. Government grants and subsidies (continued)		
National: DoE Electrification grant		
Balance unspent at beginning of year	3,883,970	-
Current-year receipts	41,160,000	89,307,587
Conditions met - transferred to revenue	(43,079,749)	(85,423,617)
	<u>1,964,221</u>	<u>3,883,970</u>
Conditions still to be met - remain liabilities (see note 13).		
Provincial government Establishment plan		
Balance unspent at beginning of year	63,798	63,798
Conditions met - transferred to revenue	(63,798)	-
	<u>-</u>	<u>63,798</u>
Local Government IDP fund		
Balance unspent at beginning of year	59,655	86,145
Conditions met - transferred to revenue	(59,655)	(8,462)
	<u>-</u>	<u>77,683</u>
Library Upgrade		
Balance unspent at beginning of year	1,012,200	1,071,655
Current-year receipts	600,000	400,000
Conditions met - transferred to revenue	(1,064,955)	(459,755)
	<u>547,245</u>	<u>1,011,900</u>
Conditions still to be met - remain liabilities (see note 13).		
Spatial Development		
Balance unspent at beginning of year	43,865	43,865
Conditions met - transferred to revenue	(43,865)	-
	<u>-</u>	<u>43,865</u>
EPWP Grant		
Current-year receipts	3,185,000	2,780,000
Conditions met - transferred to revenue	(3,185,000)	(2,780,000)
	<u>-</u>	<u>-</u>

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
25. Government grants and subsidies (continued)		
LED Projects		
Balance unspent at beginning of year	506,536	506,536
Conditions still to be met - remain liabilities (see note 13).		
Other Grants		
Balance unspent at beginning of year	219,396	422,523
Current-year receipts	-	575,074
Conditions met - transferred to revenue	(1,142)	(778,201)
	218,254	219,396
Conditions still to be met - remain liabilities (see note 13).		

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Notes to the Annual Financial Statements

	2018 R	2016 R
26. Fine receipts		
Traffic fines	3,470,659	1,266,940
27. Employee related costs		
Basic	73,042,283	68,866,464
Bonus	4,486,263	3,553,451
Overtime payments	2,507,766	2,392,208
Acting allowances	-	358,488
Car allowance	4,792,207	4,025,730
Contribution to bonus and post retirement provision	455,941	112,244
Defined contribution plans	11,505,240	10,481,529
Housing benefits and allowances	4,771,279	5,009,448
Leave pay provision charge	2,988,950	2,382,084
Long-service awards	301,598	749,422
Medical aid - company contributions	3,414,331	3,298,203
Cellular and telephone Allowances	6,000	6,000
Provision for movement in performance bonuses	-	766,477
SDL	1,123,592	1,040,396
UIF	562,727	533,892
	109,966,177	101,566,802

Remuneration of Municipal Manager

Annual Remuneration	914,774	816,583
Backpay	23,036	95,372
Car Allowance	411,059	310,668
Contributions to UIF, Medical and Pension Funds	1,785	1,765
Performance bonus	-	161,402
Remote allowance	84,421	62,204
	1,445,075	1,438,934

Dr D.C.T Nakin served as Municipal Manager for the entire period under review.

Remuneration of Chief Financial Officer

Annual Remuneration	639,216	570,155
Backpay	18,829	91,975
Car Allowance	260,781	283,449
Contributions to UIF, Medical and Pension Funds	1,636	1,785
Medical aid	-	102,764
Performance bonus	-	98,933
Remote Allowance	84,318	60,985
	984,779	1,220,046

Mr Ndzelu served as Chief Financial Officer resigned by 30 April 2019. Mr K Mehlomakhulu appointed as acting Chief Financial Officer from 1st May 2019 till end of financial year. No acting allowance was paid.

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
27. Employee related costs (continued)		
Remuneration of Corporate Services General Manager		
Annual Remuneration	516,384	528,813
Car Allowance	122,045	108,000
Contributions to UIF, Medical and Pension Funds	39,333	1,638
Backpay	14,645	-
Housing Allowance	166,948	-
Remote Allowance	60,030	-
Performance Bonuses	-	69,807
	919,385	1,008,258

Mr N.R. Xolo served as Corporate Services General Manager for the entire period.

Remuneration of Community Services General Manager

Annual Remuneration	367,556	514,357
Backpay	10,363	69,418
Car Allowance	317,423	149,758
Contributions to UIF, Medical and Pension Funds	113,287	91,249
Housing Allowance	317,423	112,258
Remote Allowance	75,185	59,709
	1,201,217	896,744

Mr S.M. Mbedla served as Community Services General Manager for the entire period.

Remuneration of the Economic Development Planning General Manager

Annual Remuneration	460,038	230,953
Backpay	39,557	23,428
Car Allowance	302,853	76,984
Contributions to UIF, Medical and Pension Funds	1,785	592
Housing allowance	302,853	76,984
Remote allowance	75,825	26,945
	1,182,911	438,186

Miss T. Ntsala served as Economic Development Planning General Manager for the entire period.

Remuneration of the Infrastructure General Manager

Annual Remuneration	289,166	648,549
Car Allowance	98,219	140,522
Contributions to UIF, Medical and Pension Funds	1,280	1,635
Housing Allowance	98,219	234,203
Backpay	14,645	-
Remote Allowance	35,018	-
	536,527	1,024,910

Mrs M. Ndwandwe served as Infrastructure General Manager resigned on the 31st January 2019. Miss N Ntoko Acting General Manager from 1st of February 2019 to 31 April 2019. Mr Z Gqamane Acting General Manager from 1st May 2019 till end of financial year. No acting allowances were paid.

Notes to the Annual Financial Statements

	2018 R	2017 R
27. Employee related costs (continued)		
Staff leave benefits		
Municipal Manager	155,814	44,970
Chief Financial Officer	101,762	70,154
Community Services	98,481	52,391
EDP Manager	84,802	29,605
Corporate	101,762	-
	540,401	187,120
28. Remuneration of councillors		
Mayor	872,149	840,313
Speaker	708,800	681,131
Chief Whip	665,213	641,336
MPAC Chair	652,740	1,361,520
Executive Committee	4,521,743	4,452,433
Councillors	12,207,740	10,659,659
	19,628,185	18,636,392

Notes to the Annual Financial Statements

	2018 R	2018 R
28. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor and the Speaker are full-time Councillors each have the use of separate Council owned vehicles for official duties.		
The Mayor has one driver and one mayoral aid . The Speaker has one driver and one speaker's aid.		
Mayor		
Annual Remuneration	827,749	795,913
Telephone Allowance	44,400	44,400
	872,149	840,313
Speaker		
Annual Remuneration	662,200	636,731
Telephone Allowance	44,400	44,400
	706,600	681,131
Chief Whip		
Annual Remuneration	620,813	596,936
Telephone Allowance	44,400	44,400
	665,213	641,336
Executive Committee Members		
Annual Remuneration	4,122,143	4,052,634
Telephone Allowance	399,600	399,600
	4,521,743	4,452,234
Councillors (Section 79)		
Annual Remuneration	808,340	1,228,320
Telephone Allowance	44,400	133,200
	852,740	1,361,520
Councillors (Ordinary)		
Annual Remuneration	10,165,335	9,061,258
Telephone Allowance	2,042,405	1,598,400
	12,207,740	10,659,658
29. Remuneration of traditional leaders		
Remuneration of traditional leaders	448,802	452,458
30. Depreciation and amortisation		
Intangible assets	923,400	920,627
Property, plant and equipment	47,545,544	32,194,941
	48,468,944	33,115,468

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Notes to the Annual Financial Statements

	2019 R	2018 R
31. Impairment of assets		
Impairments		
Property, plant and equipment	129,764	19,392,074
The impairment is caused by Other Assets (assets written off).		
32. Finance costs		
Lease payments	6,346	7,605
33. Debt impairment		
Contributions to debt impairment provision	5,847,668	(65,240)
34. Material and stores		
Material and stores	3,645,783	4,547,053
35. Bulk purchases		
Electricity	39,280,295	37,987,201

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom. The municipality incurred electricity line losses of R1 344 178.50 at a percentage of 5.23% (2018: 5.71%) in the current year. The technical losses is R765 898.03 (2.98%) and the non-technical losses are R578 279.47 (2.25%).

Water is supplied directly to residents and businesses by the district municipality.

36. Contracted services**Consultants & Professional Services**

Legal Cost	1,674,816	6,424,635
Professional Fees	13,998,249	6,812,447
Contractors		
Audio Visual Services	-	13,900
Debt Collection Consultants	292,232	322,839
Event Promoters	34,919	3,691,928
Employee Wellness	253,649	80,745
Free Basic Electricity	-	8,029,806
Repairs and Maintenance	12,056,728	12,429,627
Safe Guarding and Security	9,423,930	7,124,986
Outsource		
Business and Advisory	20,099,164	379,649
Catering Services	1,397,448	1,109,582
Cleaning Services	2,954,139	1,385,238
Consultants and Professional Fees	-	10,168,741
Refuse Removal	5,652,683	4,365,756
Other Contracted Services		
	67,838,057	62,369,881

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Notes to the Annual Financial Statements

	2019 R	2018 R
37. Operational Expenses		
Achievement and Awards	1,012,100	271,056
Advertising	1,370,718	1,714,305
Bank charges	202,702	255,805
Bursaries and Learnerships	1,557,324	836,104
Communication	314,000	191,000
Conferences and seminars	234,432	445,478
Delegates expenses	10,172,556	8,334,005
Electricity	340,511	213,120
External Computer Services	1,278,078	3,980,087
Hire Charges	1,146,930	773,427
Insurance	3,170,387	1,344,021
Motor vehicle expenses	140,208	139,807
Obsolete stock written off	2,379	2,779
Other expenses	2,729,387	2,233,884
Audit fees	5,441,841	5,755,924
Postage and courier	235,636	262,002
Printing and stationery	233,793	491,614
Remuneration to ward committees	3,080,000	3,108,000
Subscriptions and membership fees	1,285,883	3,624,888
Telephone and fax	2,296,811	2,271,252
Transport Provided as Part of Departmental Activities	474,866	328,271
Uniforms and Protective Clothing	944,351	883,478
Wet Fuel and oil	1,905,319	1,751,790
	38,570,380	39,202,208
38. Cash generated from operations		
Surplus	16,451,284	69,687,795
Adjustments for:		
Depreciation and amortisation	48,488,944	33,115,487
Loss on sale of assets and liabilities	122,899,333	45,640,936
Fair value adjustments	(17,071,800)	
Impairment deficit	129,764	19,392,074
Debt impairment	6,847,666	(66,240)
Movements in retirement benefit assets and liabilities	(53,381)	1,779,937
Movements in provisions	3,089,012	8,214,394
Write back of stale cheque's	5,239	6,899
Donations	(2,719,870)	-
Non-cash items	284,042	(11,139,200)
Changes in working capital:		
Inventories	(101)	(303,798)
Consumer debtors	(14,289,561)	(3,112,913)
Other receivables from non-exchange transactions	(22,821,313)	(1,526,458)
Prepayments	(3,704,817)	-
Payables from exchange transactions	(2,030,100)	16,513,805
VAT	8,843,732	(3,938,877)
Unspent conditional grants and receipts	(6,586,018)	7,544,446
Consumer deposits	8,665	8,676
	136,631,690	182,016,943
39. Unauthorised expenditure		
Opening Balance	84,704	94,704
Add: Current year Unauthorised expenditure	-	-
	84,704	94,704

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Notes to the Annual Financial Statements

	2018 R	2018 R
39. Unauthorised expenditure (continued)		
Management did not identify unauthorised expenditure during the financial year, however it was identified during 2017/18 financial year audit. It was reported to council and recommendations of the council were implemented accordingly. All items of unauthorised expenditure are still under investigation at 30 June 2019.		
40. Irregular expenditure		
Opening balance	2,234,967	1,958,437
Add: Irregular Expenditure - current year	7,135,420	276,530
Less: Amounts written off	-	-
	8,370,387	2,234,967

Management identified this and a report has been prepared for council deliberation and its recommendations will be implemented to either recover monies or write offs where necessary. All items of irregular expenditure are still under investigation at 30 June 2019.

The irregular expenditure was as a result of mis-interpretation of the SCM Regulation by National Treasury as provided in the guidelines issued by NT which were not inline of the SCM Regulations issued in terms of the Municipal Finance Management Regulations (Regulation 29). National Treasury provided on "Composition of the bid adjudication committee". It stated the following: "Quorum: the bid adjudication committee cannot undertake business without a quorum present, consisting of half plus one of its total membership with voting power (rounded to the nearest whole number). For example, if there are four members in total, the quorum required is three members".

For 2 projects (Pamlaiville Electrification and Nkungwini Electrification) the municipality followed the guideline of quorum as per National Treasury. After further consultation with Auditor-General, it was deemed for the expenditure incurred on those projects to be irregular. The expenditure incurred for the service (electrification) of those projects was done and the community received the service (electrification). The irregular expenditure incurred was because of the interpretation of the guideline from National Treasury.

41. Fruitless and wasteful expenditure

Opening balance	46,798	38,184
Fruitless and wasteful expenditure- current year	5,345	7,605
	52,143	45,789

Management identified this and a report has been prepared for council deliberation and its recommendations will be implemented to either recover monies or write offs where necessary. All items of fruitless and wasteful expenditure are still under investigation at 30 June 2018.

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Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2019 R	2018 R
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42. Financial Instruments disclosure

Categories of financial Instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	23,816,386	23,816,386
Other receivables from non-exchange transactions	-	64,727,873	64,727,973
Consumer debtors	-	15,222,487	15,222,487
Cash and cash equivalents	123,987,462	-	123,987,462
	<u>123,987,462</u>	<u>103,766,826</u>	<u>227,764,288</u>

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	36,009,967	36,009,967

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	7,534,074	7,534,074
Other receivables from non-exchange transactions	-	53,426,295	53,426,295
Consumer debtors	-	17,828,980	17,828,980
Cash and cash equivalents	118,893,652	-	118,893,652
	<u>118,893,652</u>	<u>78,789,349</u>	<u>198,683,001</u>

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	43,394,528	43,394,528

Fair value information

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standards terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Fair value hierarchy of financial assets at fair value

Bank balances and cash	1,250	1,250
Short-term deposits	112,596,592	116,456,301
	<u>112,697,842</u>	<u>116,457,551</u>

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Notes to the Annual Financial Statements

	2018 R	2019 R
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43. Operating lease

The Municipality had the following operating leases in the current year:

Kolstad Copiers - The lease is held on a monthly basis. No outstanding commitment exists.

Konica Minolta - The lease is held on a monthly basis. No outstanding commitment exists.

The lease is held on a monthly basis. No outstanding commitment exists.

Nedbank -

Alex Office - for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year :

In the second to fifth year inclusive:

R 8 510

Notes to the Annual Financial Statements

2018
R

2018
R

44. Contingencies
LIABILITIES

ML Hans vs Matatiele Local Municipality

Mr Hans applied for a civil claim against the municipality regarding the unlawful impoundment of his motor vehicle. The estimated cost of the suit is R 30 000.

Tripple N's, A Trading CC and 2 others vs Matatiele Local Municipality

The estimated cost of the suit is R1,623 145.67.

TCN Architects vs Matatiele Local Municipality

The municipality is being sued for non payment by a service provider. The estimated cost of the suit is between R326 234.48

Mkhize Mining vs Matatiele Local Municipality

The municipality is being sued for termination of contract of a service provider. The estimated cost of the suit is R 5,000 000

Begin Africa vs Matatiele Local Municipality

The municipality is being sued for non payment of services rendered. The estimated cost of the suit is R 1000 000.

Matubatuba and Matshoba vs Matatiele Local Municipality

The municipality is being sued for unfair dismissal of employees. The estimated cost of the suit is R 2,800,000

Two Sisters vs Matatiele Local Municipality

The municipality is being sued for non payment of the service provider regarding construction of Maluti Civic Centre. The estimated cost of the suit is R 300 000.

Branded soul CC vs Matatiele Local Municipality

The estimated cost of the suit is R 317 889

Soul goods Production CC vs Matatiele Local Municipality

The estimated cost of the suit is R 400 000

ASSETS

Matatiele Municipality vs Lubbe Construction

The municipality logged a claim against the contractor for construction of the Council chamber which was not carried out with due skill, diligence and regularity. The estimated cost of the suit is R 22 173 328.38

Matatiele Municipality vs Matholwane

The Municipality sued for the removal of a stone wall encroaching onto the land. The estimated cost of the suit is R 25 000.

Notes to the Annual Financial Statements

	2019 R	2018 R
45. Commitments		
Authorised capital expenditure		
Approved and already contracted for:		
• Property, plant and equipment	77,507,240	83,812,837
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	4,147,441	
Total capital commitments		
Approved and already contracted for:	77,507,240	83,812,837
Not yet contracted for and authorised by accounting officer	4,147,441	
	81,654,681	83,812,837

The committed expenditure relates to property, plant and equipment contracts that will be finished in the coming years. The commitments will be financed by grants as well as own revenue.

The commitment amounts are exclusive of VAT.

46. Related parties

Relationships

Accountant - Payroll	Spouse
Manager - Administration Support	Mother
Employee Assistant and Health and Safety Practitioner	Spouse
South African Police Service	Spouse

Xolani Faniso, the spouse of the Employee assistant and health and safety practitioner of the municipality, who is also a member of Bathokozeleni Trading CC, Mahlonono Construction, and Shakes and Xolani Trading J.V. Maboka, who were appointed to provide services relating to grass cutting. Current year expenditure relating to the above amounted to R 273 700 and R 795 872.

Taelo Latseka, the spouse of the Accountant - Payroll of the municipality (1 November 2012 - Current), is a member of Sweet Dreams Trading who were appointed to provide grass cutting and cleaning services of various Municipal properties, the expenditure incurred amounted to R 120 675.50.

Lonwabo Slowebu, the son of Administration Support Manager, is a member of Lonely Trading who were appointed to provide services relating to grass cutting and cleaning. The expenditure incurred amounted to R 490 180.85.

General Moso, the spouse of SAPS officer N. Moso, is a member of Africa Unite (Pty) Ltd who were appointed to provide services of sequentially file, pack and sort documents at stores. The expenditure incurred amounted to R 1 078 280.00 .

A payment amounting to R5 785 was made to MK88 Pty Ltd during the 2018/19 financial year. MK88 Pty Ltd is owned by Mr. M. Khakane who is an employee of the municipality. This payment was made before he became an employee of the municipality, he commenced his duties at the municipality on 01st of February 2019.

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Notes to the Annual Financial Statements

Figures in Rand

47. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
 Recoverable amounts of property, plant and equipment
 Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
 Present value of defined benefit obligation
 Fair value of plan assets
 Provision for doubtful debts
 Impairment of assets
 Provision for long-term service award
 Contingencies

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
 Provisions

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,192,128	935,729
Amount paid - current year	(1,192,128)	(935,729)

Audit fees

Opening balance	5,441,941	5,753,387
Amount paid - current year	(5,441,941)	(5,753,387)

PAYE and UIF

Opening balance	20,483,296	19,089,267
Amount paid - current year	(20,483,296)	(19,089,267)

VAT

VAT receivable	1,851,133	10,694,865
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VAT output payables and VAT input receivables are shown in note 4

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

Councillors' arrears consumer accounts

No Councillors had arrears accounts outstanding at 30 June 2019:

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Notes to the Annual Financial Statements

Figures in Rand

48. Additional disclosures in terms of Municipal Finance Management Act (continued)

Supply chain management regulations - Deviations

In terms of section 36(2) of the Municipal Supply Chain Management Regulation any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and be reported to Council for noting.

Incident		
Emergency	1,233,950	628,054
Sole supplier	2,593,101	-
Impractical/Impossible	2,852,118	5,737,885
	<u>6,679,169</u>	<u>6,366,739</u>

49. Prior period errors

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

Trade payables	-	63,704,285
Balance as per prior audited AFS	-	(8,376,335)
Correction of error	-	<u>45,327,950</u>

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Notes to the Annual Financial Statements

	2019 R	2018 R
49. Prior period errors (continued)		
VAT receivable	-	10,952,949
Balance as per prior audited AFS	-	(258,084)
Correction of error	-	10,694,865
Work in progress (WIP)	-	268,300,800
Balance as per prior audited AFS	-	(6,589,621)
Correction of error	-	262,731,179
Accumulated surplus and deficit (2016/17)	-	868,653,848
Balance as per prior audited AFS	-	1,053,249
Correction of error	-	869,708,897
Property, plant and Equipment: Infrastructure	-	457,056,228
Balance as per prior audited AFS	-	(6,111,361)
Correction of error	-	450,944,867
Property, plant and equipment: Land	-	18,157,142
Balance as per prior audited AFS	-	(268,155)
Correction of error	-	17,887,987
Investment property	-	20,019,900
Balance as per prior audited AFS	-	(2,281,848)
Correction of error	-	17,738,052
Assets receivables from non-exchange transactions	-	40,126,583
Balance as per prior audited AFS	-	2,308,981
Correction of error	-	42,435,524
Property, plant and equipment- Buildings	-	56,547,105
Balance as per prior audited AFS	-	(9,658,529)
Correction of error	-	46,888,576
Accumulated depreciation - Community	-	52,167,661
Balance as per prior audited AFS	-	275,664
Correction of error	-	52,443,565
Accumulated depreciation - Infrastructure	-	3,873,997
Balance as per prior audited AFS	-	950,891
Correction of error	-	4,824,688

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Notes to the Annual Financial Statements

	2019 R	2018 R
48. Prior period errors (continued)		
Property, plant and equipment: Other		
Balance as per prior audited AFS		35,736,474
Correction of error		59,930
	-	<u>35,796,404</u>
Property, plant and equipment: Community		
Balance as per prior audited AFS	-	81,936,132
Correction of error	-	8,511,051
	-	<u>90,449,183</u>
Employee related costs		
Balance as per prior audited AFS	-	101,317,088
Correction of error	-	248,736
	-	<u>101,565,824</u>
Accumulated depreciation : Buildings		
Balance as per prior audited AFS	-	7,681,022
Correction of error	-	(275,859)
	-	<u>7,405,163</u>

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
49. Prior period errors (continued)		
Material and stores		
Balance as per prior audited AFS	-	4,550,582
Correction of error	-	(3,499)
	-	<u>4,547,083</u>
Contracted services		
Balance as per prior audited AFS	-	68,200,775
Correction of error	-	(5,831,094)
	-	<u>62,369,681</u>
Operating/General expenses		
Balance as per prior audited AFS	-	33,548,281
Correction of error	-	5,653,927
	-	<u>39,202,208</u>
Accumulated depreciation : other		
Balance as per prior audited AFS	-	26,082,248
Correction of error	-	(119,865)
	-	<u>24,862,383</u>
Payables from exchange transactions		
Balance as per prior audited AFS	-	53,704,285
Correction of error	-	(8,376,335)
	-	<u>45,327,950</u>
Provisions		
Balance as per prior audited AFS	-	811,231
Correction of error	-	7,704,536
	-	<u>8,515,767</u>
Rental of facilities and equipment		
Balance as per prior audited AFS	-	955,607
Correction of error	-	(58,991)
	-	<u>896,616</u>
Other income		
Balance as per prior audited AFS	-	1,444,456
Correction of error	-	58,991
	-	<u>1,503,447</u>
Depreciation and amortisation		
Balance as per prior audited AFS	-	32,379,127
Correction of error	-	100,678
	-	<u>32,479,705</u>

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Notes to the Annual Financial Statements

2018
R

2017
R

50. Risk management

Financial risk management

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.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an 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 utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument	2018	2017
Trade receivables	23,816,366	7,534,074
Nedbank	10,409,097	(1,074,584)
Standard bank	339,707	418,287
First National Bank	650,816	4,195,903
Short-term investments	112,597,874	118,481,339

51. Budget Variances

Reasons for Variances

The basis which have been applied in determining material variances is 10%, Income we have only provided reason where the municipality has under achieved and for expenditure both over and under achieved where its 10% less or more than budget. The municipality treats employee costs as a major expense in its statement of financial performance hence we have provided reason for that variance of 5%.

Employee Related Costs

Variance . 5%

Vacant positions that were not filled during the financial year.

Other materials

Variance 28%

Savings from Repairs and maintenance and Inventory.

Rental of facilities

Variance 25%

This is due to more hiring of the community facilities i.e halls and sports fields.

Interest on outstanding debtors

Government debts increase resulted in to increased interest

Fines penalties and forfeits

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Notes to the Annual Financial Statements

	2018 R	2017 R
51. Budget Variances (continued)		
Variance	25%	
this is due to more people paying for tickets issued by traffic officers		
Licenses and permits		
Variance	15%	
This is due to few people applying for registration and licensing of vehicles under matatiele		
Other revenue		
This is due to less revenue from sale of tickets as anticipated		
Variance	15%	
Cash and cash equivalent		
Variance	193%	
This is due to more people and departments paying for their debt as anticipated and more investments done in the 2018/19 financial year		
Consumer debtors		
Variance	54%	
This is due to implementation of new valuation roll		
Investment property		
Variance	57%	
This is due to more projects that have been identified in the 2018/19 financial year		
Consumer debtors current liabilities		
Variance	25%	
This is as a result that there were no new buildings that were built in the 2018/19		
Provisions		
Variance	51%	
This is due to the change of rates on the environmental rehabilitation of the landfill site		
Depreciation and amortisation		
Variance	22%	
This is because of more assets were transferred from work in progress upon completion.		
General Expenses		
Variance	21%	
This is due to savings from operational costs through cost containment measures put in place.		

2019/20
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	2019	2018
	€	€

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