Tswelopele Local Municipality
(Registration number FS183)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998, Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Mayoral committee	
Mayor	FT. Matsholo
Councillors	MW. Raseu (Speaker)
	C. Horn (Exco member)
	MS. Baleni (Exco member)
	TT. Taedi
	MS. Bonokwane
	EC. Joubert
	BP. Eseu
	DA. Njodina
	MM. Snyer
	MA. Monei
	MH. Segopolo
	TA. Soaisa
	MJ. Mgciya
	MB. Mohlabakoe
Grading of local authority	Grade 2
Accounting Officer	MRE. Mogopodi
Chief Finance Officer (CFO)	NL. Moletsane
Registered office	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited
Municipal demarcation code	FS183

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 15
Appropriation Statement	16 - 17
Accounting Policies	18 - 54
Notes to the Annual Financial Statements	55 - 104
Appendixes:	
Appendix A: Schedule of External loans	105
Appendix B: Analysis of Property, Plant and Equipment	106
Appendix C: Segmental analysis of Property, Plant and Equipment	112
Appendix D: Segmental Statement of Financial Performance	113
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	114
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	115
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	116
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	118
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	119

Index

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and signed by:

Mogopodi, MRE
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
DS Nage	4
MR Lubisi	3
I Mpatlanyane	5
O Thenga	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit Committee Report

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date:

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	9	646,254	671,414
Other receivables from exchange transactions	10	1,202,490	1,147,872
Receivables from non-exchange transactions	11&14	6,256,099	11,783,765
VAT receivable	12	6,447,074	8,486,316
Receivables from exchange transactions	13	18,221,813	17,780,802
Cash and cash equivalents	15	8,891,030	11,135,395
		41,664,760	**51,005,564**
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	1,233,000	1,195,030
Investment property	4	117,438,143	113,466,805
Property, plant and equipment	5	533,374,357	515,913,305
Other financial assets	6	911,831	859,316
Long term receivables from exchange and non-exchange transactions	8	671,919	96,545
		653,629,250	**631,531,001**
Total Assets		**695,294,010**	**682,536,565**
Liabilities			
Current Liabilities			
Other financial liabilities	18	2,170,235	975,055
Finance lease obligation	16	316,985	5,511
Payables from exchange transactions	20	88,157,943	84,406,815
Consumer deposits	21	1,176,540	1,101,031
Employee benefit obligation	7	1,278,193	1,073,194
Unspent conditional grants and receipts	17	565,358	9,843,663
		93,665,254	**97,405,269**
Non-Current Liabilities			
Other financial liabilities	18	7,844,815	8,937,286
Finance lease obligation	16	639,831	-
Employee benefit obligation	7	7,697,638	8,294,475
Provisions	19	27,069,782	19,895,324
		43,252,066	**37,127,085**
Total Liabilities		**136,917,320**	**134,532,354**
Net Assets		**558,376,690**	**548,004,211**
Accumulated surplus		558,376,690	548,004,211

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	53,454,997	44,084,866
Rental of facilities and equipment	23	920,542	982,546
Interest received - trading		870,236	196,959
Licences and permits	24	24,229	21,700
Operational revenue	26	1,146,913	770,103
Interest received - investment	27	1,744,763	1,025,110
Fair value adjustments	40	4,023,853	4,375,401
Actuarial gains	7	510,323	-
Gain on biological assets and agricultural produce	3	37,970	323,827
Dividends received	27	58,441	51,428
Total revenue from exchange transactions		**62,792,267**	**51,831,940**
Revenue from non-exchange transactions			
Property rates	28	22,293,212	20,958,681
Government grants & subsidies	29	108,453,793	99,446,151
Public contributions and donations	30	2,268,000	500,000
Fines, Penalties and Forfeits	25	331,400	268,900
Total revenue from non-exchange transactions		**133,346,405**	**121,173,732**
Total revenue		**196,138,672**	**173,005,672**
Expenditure			
Employee related costs	31	(62,927,302)	(60,150,599)
Remuneration of councillors	32	(5,522,232)	(5,335,771)
Depreciation and amortisation	33	(24,288,482)	(23,863,390)
Impairment loss	34	(141,146)	(2,291,990)
Finance costs	35	(6,468,292)	(7,812,659)
Lease rentals on operating lease		(356,021)	(97,423)
Debt impairment	36	(21,210,707)	(5,122,619)
Bulk purchases	37	(38,631,963)	(36,437,704)
Contracted services	38	(4,077,494)	(5,269,996)
Actuarial losses	7	-	(1,039,842)
General Expenses	39	(22,142,549)	(24,123,521)
Total expenditure		**(185,766,188)**	**(171,545,514)**
Surplus for the year		**10,372,484**	**1,460,158**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	513,152,187	513,152,187
Prior year adjustments (Refer to Note 49)	34,083,677	34,083,677
Balance at 01 July 2017	**546,544,053**	**546,544,053**
Changes in net assets		
Surplus for the year	1,460,158	1,460,158
Total changes	1,460,158	1,460,158
Balance at 01 July 2017 restated	**548,004,206**	**548,004,206**
Changes in net assets		
Surplus for the year	10,372,484	10,372,484
Total changes	10,372,484	10,372,484
Balance at 30 June 2019	**558,376,690**	**558,376,690**

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		59,428,212	49,335,265
Grants		99,175,488	102,088,786
Interest income		2,614,999	1,222,069
Dividends received		58,441	51,428
Fines, penalties and forfeits		331,400	268,900
Other receipts		4,384,844	2,233,949
VAT receipts		2,039,242	-
		168,032,626	155,200,397
Payments			
Employee costs		(68,415,488)	(64,849,958)
Suppliers		(61,846,911)	(39,015,410)
Finance costs		(4,436,979)	(7,812,659)
VAT payments		-	(4,136,126)
		(134,699,378)	(115,814,153)
Net cash flows from operating activities	43	**33,333,248**	**39,386,244**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(36,606,582)	(31,849,703)
Cash flows from financing activities			
Repayment of other financial liabilities		102,709	(868,650)
Finance lease payments		926,260	(606,921)
Net cash flows from financing activities		**1,028,969**	**(1,475,571)**
Net increase/(decrease) in cash and cash equivalents		**(2,244,365)**	**6,060,970**
Cash and cash equivalents at the beginning of the year		11,135,395	5,074,425
Cash and cash equivalents at the end of the year	15	**8,891,030**	**11,135,395**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	56,614,000	-	**56,614,000**	53,454,997	**(3,159,003)**	
Rental of facilities and equipment	647,000	-	**647,000**	920,542	**273,542**	A1
Interest received (trading)	1,000,000	(800,000)	**200,000**	870,236	**670,236**	A2
Licences and permits	80,000	-	**80,000**	24,229	**(55,771)**	A3
Operational revenue	3,114,000	(357,000)	**2,757,000**	1,146,913	**(1,610,087)**	A4
Interest received - investment	600,000	90,000	**690,000**	1,744,763	**1,054,763**	A5
Dividends received	50,000	(10,000)	**40,000**	58,441	**18,441**	A6
Total revenue from exchange transactions	**62,105,000**	**(1,077,000)**	**61,028,000**	**58,220,121**	**(2,807,879)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18,085,000	(5,000,000)	**13,085,000**	22,293,212	**9,208,212**	A7
Transfer revenue						
Government grants & subsidies	69,989,000	946,000	**70,935,000**	80,214,305	**9,279,305**	A8
Public contributions and donations	-	-	**-**	2,268,000	**2,268,000**	A9
Fines, Penalties and Forfeits	40,000	-	**40,000**	331,400	**291,400**	A10
Total revenue from non-exchange transactions	**88,114,000**	**(4,054,000)**	**84,060,000**	**105,106,917**	**21,046,917**	
Total revenue	**150,219,000**	**(5,131,000)**	**145,088,000**	**163,327,038**	**18,239,038**	
Expenditure						
Employee costs	(63,594,000)	(283,000)	**(63,877,000)**	(62,927,302)	**949,698**	
Remuneration of councillors	(6,563,000)	-	**(6,563,000)**	(5,522,232)	**1,040,768**	A11
Depreciation and amortisation	(26,000,000)	-	**(26,000,000)**	(24,288,482)	**1,711,518**	
Impairment of assets	-	-	**-**	(141,146)	**(141,146)**	A12
Finance costs	(2,958,000)	-	**(2,958,000)**	(6,468,292)	**(3,510,292)**	A13
Lease rentals on operating lease	-	-	**-**	(356,021)	**(356,021)**	A14
Debt Impairment	(6,100,000)	-	**(6,100,000)**	(21,210,707)	**(15,110,707)**	A15
Bulk purchases	(33,895,000)	1,000,000	**(32,895,000)**	(38,631,963)	**(5,736,963)**	A16
Contracted Services	-	-	**-**	(4,077,494)	**(4,077,494)**	A17
General Expenses	(41,673,000)	733,000	**(40,940,000)**	(22,142,549)	**18,797,451**	A19
Total expenditure	**(180,783,000)**	**1,450,000**	**(179,333,000)**	**(185,766,188)**	**(6,433,188)**	
Operating deficit	**(30,564,000)**	**(3,681,000)**	**(34,245,000)**	**(22,439,150)**	**11,805,850**	
Transfers and subsidies	23,837,000	-	**23,837,000**	28,239,488	**4,402,488**	
Fair value adjustments	-	-	**-**	4,023,853	**4,023,853**	A18
Actuarial gains/losses	-	-	**-**	510,323	**510,323**	A18
Gain on biological assets and agricultural produce	-	-	**-**	37,970	**37,970**	
	23,837,000	**-**	**23,837,000**	**32,811,634**	**8,974,634**	
Deficit before taxation	**(6,727,000)**	**(3,681,000)**	**(10,408,000)**	**10,372,484**	**20,780,484**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(6,727,000)**	**(3,681,000)**	**(10,408,000)**	**10,372,484**	**20,780,484**	

Tswelopele Local Municipality

(Registration number FS183)
Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	300,000	-	**300,000**	646,254	**346,254**	B1
Other receivables from exchange transactions	-	-	**-**	1,202,490	**1,202,490**	B1
Receivables from non-exchange transactions	-	-	**-**	6,256,099	**6,256,099**	B1
VAT receivable	-	-	**-**	6,447,074	**6,447,074**	B1
Consumer debtors	35,000,000	-	**35,000,000**	18,221,813	**(16,778,187)**	B1
Cash and cash equivalents	3,250,000	-	**3,250,000**	8,891,030	**5,641,030**	B1
	38,550,000	**-**	**38,550,000**	**41,664,760**	**3,114,760**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	800,000	-	**800,000**	1,233,000	**433,000**	B1
Investment property	24,000,000	-	**24,000,000**	117,438,143	**93,438,143**	B1
Property, plant and equipment	570,000,000	-	**570,000,000**	533,374,357	**(36,625,643)**	B1
Other financial assets	-	-	**-**	911,831	**911,831**	B1
Long term receivables from exchange and non-exchange transactions	-	-	**-**	671,919	**671,919**	B1
	594,800,000	**-**	**594,800,000**	**653,629,250**	**58,829,250**	
Total Assets	**633,350,000**	**-**	**633,350,000**	**695,294,010**	**61,944,010**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	2,170,235	**2,170,235**	B1
Finance lease obligation	-	-	**-**	316,985	**316,985**	B1
Payables from exchange transactions	30,000,000	-	**30,000,000**	88,157,943	**58,157,943**	B1
Consumer deposits	1,000,000	-	**1,000,000**	1,176,540	**176,540**	B1
Employee benefit obligation	-	-	**-**	1,278,193	**1,278,193**	B1
Unspent conditional grants and receipts	-	-	**-**	565,358	**565,358**	B1
	31,000,000	**-**	**31,000,000**	**93,665,254**	**62,665,254**	
Non-Current Liabilities						
Other financial liabilities	15,060,000	-	**15,060,000**	7,844,815	**(7,215,185)**	B1
Finance lease obligation	-	-	**-**	639,831	**639,831**	B1
Employee benefit obligation	-	-	**-**	7,697,638	**7,697,638**	B1
Provisions	10,500,000	-	**10,500,000**	27,069,782	**16,569,782**	B1
	25,560,000	**-**	**25,560,000**	**43,252,066**	**17,692,066**	
Total Liabilities	**56,560,000**	**-**	**56,560,000**	**136,917,320**	**80,357,320**	
Net Assets	**576,790,000**	**-**	**576,790,000**	**558,376,690**	**(18,413,310)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	576,790,000	-	**576,790,000**	558,376,690	**(18,413,310)**	B1

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	65,013,000	(4,000,000)	**61,013,000**	59,428,212	**(1,584,788)**	
Grants	93,876,000	946,000	**94,822,000**	99,175,488	**4,353,488**	
Interest income	1,600,000	-	**1,600,000**	2,614,999	**1,014,999**	C1
Dividends received	50,000	-	**50,000**	58,441	**8,441**	C2
Other receipts	3,881,000	-	**3,881,000**	6,755,486	**2,874,486**	C3
	164,420,000	**(3,054,000)**	**161,366,000**	**168,032,626**	**6,666,626**	
Payments						
Suppliers and employees	(148,682,000)	6,077,000	**(142,605,000)**	(130,262,399)	**12,342,601**	C4
Finance costs	-	-	**-**	(4,436,979)	**(4,436,979)**	C5
	(148,682,000)	**6,077,000**	**(142,605,000)**	**(134,699,378)**	**7,905,622**	
Net cash flows from operating activities	**15,738,000**	**3,023,000**	**18,761,000**	**33,333,248**	**14,572,248**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(23,837,000)	-	**(23,837,000)**	(36,606,582)	**(12,769,582)**	C6
Cash flows from financing activities						
Repayment of other financial liabilities	(830,000)	-	**(830,000)**	1,028,969	**1,858,969**	C7
Net increase/(decrease) in cash and cash equivalents	(8,929,000)	3,023,000	**(5,906,000)**	(2,244,365)	**3,661,635**	
Cash and cash equivalents at the beginning of the year	7,916,000	-	**7,916,000**	11,135,395	**3,219,395**	
Cash and cash equivalents at the end of the year	**(1,013,000)**	**3,023,000**	**2,010,000**	**8,891,030**	**6,881,030**	

The accounting policies on pages 18 to 54 and the notes on pages 55 to 104 form an integral part of the annual financial statements.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	18,085,000	(5,000,000)	13,085,000	-		13,085,000	22,293,212		9,208,212	170 %	123 %
Service charges	56,614,000	-	56,614,000	-		56,614,000	53,454,997		(3,159,003)	94 %	94 %
Investment revenue	1,600,000	(710,000)	890,000	-		890,000	2,614,999		1,724,999	294 %	163 %
Transfers recognised - operational	69,989,000	946,000	70,935,000	-		70,935,000	80,214,305		9,279,305	113 %	115 %
Other own revenue	3,931,000	(367,000)	3,564,000	-		3,564,000	7,053,671		3,489,671	198 %	179 %
Total revenue (excluding capital transfers and contributions)	**150,219,000**	**(5,131,000)**	**145,088,000**	**-**		**145,088,000**	**165,631,184**		**20,543,184**	**114 %**	**110 %**
Employee costs	(63,594,000)	(283,000)	(63,877,000)	-	-	(63,877,000)	(62,927,302)	-	949,698	99 %	99 %
Remuneration of councillors	(6,563,000)	-	(6,563,000)	-	-	(6,563,000)	(5,522,232)	-	1,040,768	84 %	84 %
Debt impairment	(6,100,000)	-	(6,100,000)			(6,100,000)	(21,210,707)	-	(15,110,707)	348 %	348 %
Depreciation and asset impairment	(26,000,000)	-	(26,000,000)			(26,000,000)	(24,429,628)	-	1,570,372	94 %	94 %
Finance charges	(2,958,000)	-	(2,958,000)	-	-	(2,958,000)	(6,468,292)	-	(3,510,292)	219 %	219 %
Materials and bulk purchases	(42,235,000)	2,030,000	(40,205,000)	-	-	(40,205,000)	(42,709,457)	-	(2,504,457)	106 %	101 %
Other expenditure	(33,333,000)	(297,000)	(33,630,000)	-	-	(33,630,000)	(22,498,570)	-	11,131,430	67 %	67 %
Total expenditure	**(180,783,000)**	**1,450,000**	**(179,333,000)**	**-**	**-**	**(179,333,000)**	**(185,766,188)**	**-**	**(6,433,188)**	**104 %**	**103 %**
Surplus/(Deficit)	**(30,564,000)**	**(3,681,000)**	**(34,245,000)**	**-**		**(34,245,000)**	**(20,135,004)**		**14,109,996**	**59 %**	**66 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	23,837,000	-	23,837,000	-		23,837,000	28,239,488		4,402,488	118 %	118 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2,268,000		2,268,000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(6,727,000)**	**(3,681,000)**	**(10,408,000)**	**-**		**(10,408,000)**	**10,372,484**		**20,780,484**	**(100)%**	**(154)%**
Surplus/(Deficit) for the year	**(6,727,000)**	**(3,681,000)**	**(10,408,000)**	**-**		**(10,408,000)**	**10,372,484**		**20,780,484**	**(100)%**	**(154)%**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements include:

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

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

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

The municipality has an obligation to rehabilitate its landfill sites in terms of its licensing stipulations. Provision is made for this obligation based on the net present value of cost.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. The estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and vise versa.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for impairment

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

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services, or
- for administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

1.6 Investment property (continued)

Fair value

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

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

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

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation) is classified as investment properties;
- A building that is owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases is classified as investment properties;
- A building that is vacant but is held to be leased out under one or more operating lease on a commercial basis to external parties is classified as investment properties;

The following assets do not fall in the ambit of investment properties and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.7 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Community assets	Straight line	5-100 years
Other property, plant and equipment	Straight line	3-100 years
Infrastructure	Straight line	2-100 years

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

In accordance with standards of GRAP, the landfill sites and borrowing pits (included under land) is depreciated over their determined remaining useful lives.

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.9 Financial instruments

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

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

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

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

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

1.9 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transaction	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.The amortised cost of a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

<u>Financial assets measured at amortised cost:</u>

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

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

1.9 Financial instruments (continued)

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenditure. When such financial assets are writte off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenenditure.

Financial assets measured at cost:

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.9 Financial instruments (continued)

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

Presentation

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

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

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

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

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

1.10 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Leases (continued)

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight line basis over the lease term.

Any contingent rents are recognised separately as revenue in the period in which they are incurred.

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

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

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

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Cash-generating assets.

Identification

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

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

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

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.14 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;

1.15 Provisions and contingencies (continued)

- the amount of the obligation cannot be measured sufficient reliability; or
- a possible obligation that arises from past events but whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the municipality.

Decommissioning, restoration and similar liability

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

- If the related asset is measured using the cost model:
  - changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
  - the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
  - if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

- If the related asset is measured using the revaluation model:
  - changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
    - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
    - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
  - in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
  - a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
  - the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date; or
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be approved.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

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

Measurement

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

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

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

1.18 Revenue from non-exchange transactions (continued)

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

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

Recognition

An inflow of resources from a non-exchange transaction is recognised as revenue.

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

Measurement

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

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

Taxes (Property rates for municipalities)

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

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

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

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offerred, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

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

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

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

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.20 Discontinued operations

Discountinued operations is a component of the muncipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.21 Comparative figures

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

Refer to notes for detail.

Accounting Policies

1.22 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.

1.23 Fruitless and wasteful expenditure

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

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality'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.

1.25 Segment information

A segment is an activity of a municipality:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the municipality's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the municipality's financial statements.

1.26 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.

1.26 Budget information (continued)

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

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

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

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

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 Events after reporting date

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

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

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

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

Accounting Policies

1.29 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplusses and deficits realised during a specific financial year are credited/debited against the accumulated surplus/deficit.

Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus/deficit when retrospective adjustments are made.

1.30 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.31 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.32 Operating expenditure

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised 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.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

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

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

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has early adopted the interpretation for the first time in the 2018/2019 annual financial statements.

The impact of the interpretation is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, Act No. 108 of 1996 (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised by preparers about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the landfill site and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land in a landfill, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, closure, end-use and monitoring, Other considerations, and Annexures with Terminology, Summary of guidance from other standard setters & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. This Guideline aims to assist entities in achieving the overall financial reporting objective. This Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting (“the Conceptual Framework”) and other relevant Standards of GRAP. This Guideline includes examples and case studies to illustrate how an entity may apply the principles in this Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, assessing whether information is material, applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

2. New standards and interpretations (continued)

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

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

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

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

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Biological assets	1,233,000	-	1,233,000	1,195,030	-	1,195,030

Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	**Increase due to assets acquired through a non-exchange transaction**	**Decrease due to assets acquired through a non-exchange transaction**	**Gains or losses arising from changes in fair value**	**Total**
Biological assets	1,195,030	216,900	(9,600)	(169,330)	1,233,000

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	**Increase due to assets acquired through a non-exchange transaction**	**Decrease due to assets acquired through a non-exchange transaction**	**Gains or losses arising from changes in fair value**	**Total**
Biological assets	871,203	162,607	(13,600)	174,820	1,195,030

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Biological assets that form part of an agricultural activity (continued)

Non-financial information

Quantities of each biological asset		
Blesbok	129	88
Oryx	75	59
Kudu	14	14
Impala	15	18
Red Hartebees	24	22
Springbok	237	211
Black Springbok	23	25
Black Wildebees	174	142
Ostrich	10	10
Zebra	19	16
Horses	7	6
	727	**611**

Pledged as security

No biological assets have been pledged as security.

Methods and assumptions used in determining fair value

The fair value of game was based on trends during various game auctions held, they are based on breeding groups and not on trophy or non-trophy animals.

4. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	117,438,143	-	117,438,143	113,466,805	-	113,466,805

Reconciliation of investment property - 2019

	Opening balance	**Fair value adjustments**	**Total**
Investment property	113,466,805	3,971,338	117,438,143

Reconciliation of investment property - 2018

	Opening balance	**Fair value adjustments**	**Total**
Investment property	108,997,891	4,468,914	113,466,805

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.

5. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	36,118,802	-	36,118,802	36,118,802	-	36,118,802
Infrastructure	639,239,281	(281,902,738)	357,336,543	526,700,876	(265,356,857)	261,344,019
Community Infrastructure	181,321,167	(85,882,823)	95,438,344	176,310,885	(80,304,394)	96,006,491
Other property, plant and equipment	27,181,291	(16,581,714)	10,599,577	27,589,777	(16,740,900)	10,848,877
Community Infrastructure - under construction	6,995,857	-	6,995,857	-	-	-
Infrastructure - under construction	26,885,234	-	26,885,234	111,595,116	-	111,595,116
Total	**917,741,632**	**(384,367,275)**	**533,374,357**	**878,315,456**	**(362,402,151)**	**515,913,305**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	36,118,802	-	-	-	-	36,118,802
Infrastructure	261,344,019	-	113,053,393	(17,006,978)	(53,891)	357,336,543
Community infrastructure	96,006,491	5,143,145	142,859	(5,824,464)	(29,687)	95,438,344
Other property, plant and equipment	10,848,877	1,265,308	-	(1,457,040)	(57,568)	10,599,577
Community infrastructure - under construction	-	7,138,716	(142,859)	-	-	6,995,857
Infrastructure - under construction	111,595,116	28,343,511	(113,053,393)	-	-	26,885,234
	515,913,305	**41,890,680**	**-**	**(24,288,482)**	**(141,146)**	**533,374,357**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	36,118,802	-	-	-	-	36,118,802
Infrastructure	276,685,015	-	383,759	(15,317,072)	(407,683)	261,344,019
Community infrastructure	103,822,868	148,700	-	(6,166,917)	(1,798,160)	96,006,491
Other property, plant and equipment	12,976,419	338,006	-	(2,379,401)	(86,147)	10,848,877
Infrastructure - under construction	80,615,878	31,362,997	(383,759)	-	-	111,595,116
	510,218,982	**31,849,703**	**-**	**(23,863,390)**	**(2,291,990)**	**515,913,305**

Figures in Rand	2019	2018

5. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2019	2018
Other equipment	949,704	51,186

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	111,595,116	-	111,595,116
Additions/capital expenditure	28,343,511	6,995,857	35,339,368
Transferred to completed items	(113,053,393)	-	(113,053,393)
	26,885,234	**6,995,857**	**33,881,091**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	80,615,878	-	80,615,878
Additions/capital expenditure	31,362,997	148,700	31,511,697
Transferred to completed items	(383,759)	(148,700)	(532,459)
	111,595,116	**-**	**111,595,116**

Property, plant and equipment contractual commitments 2019	**Infrastructure assets**	**Community infrastructure**	**Total**
Commitments to construct or develop property, plant and equipment	18,719,778	695,527	19,415,305

Property, plant and equipment contractual commitments 2018	**Infrastructure assets**	**Total**
Commitments to construct or develop property, plant and equipment	13,579,778	13,579,778

Land

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.

6. Other financial assets

	2019	2018
Designated at fair value		
Unlisted shares 49 383 Senwes shares at R10.95 per share 75 732 Senwesbel shares at R4.90 per share	911,831	859,316
Non-current assets		
Designated at fair value	911,831	859,316

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations

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

Carrying value		
Present value of the post-employment medical aid liability	(5,247,031)	(5,631,424)
Present value of the long service awards liability	(3,728,800)	(3,736,245)
	(8,975,831)	**(9,367,669)**

Non-current liabilities	(7,697,638)	(8,294,475)
Current liabilities	(1,278,193)	(1,073,194)
	(8,975,831)	**(9,367,669)**

Changes in the present value of the post employment medical aid liability is as follows:

Opening balance	5,631,424	4,615,929
Benefits paid	(594,341)	(388,169)
Current interest costs	484,350	392,055
Actuarial (gain) / loss	(274,402)	1,011,609
	5,247,031	**5,631,424**

Changes in the present value of the long service awards are as follows:

Opening balance	3,736,245	3,390,069
Current service costs	399,259	387,657
Current interest cost	308,070	278,810
Benefits paid	(478,853)	(348,524)
Actuarial (gain) / loss	(235,921)	28,233
	3,728,800	**3,736,245**

Net expense recognised in the statement of financial performance

Current service cost	673,935	349,036
Interest cost	792,420	670,865
Actuarial (gains) losses	(510,323)	1,039,842
	956,032	**2,059,743**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
Post employment medical aid liability		
Discount rates used	8.50 %	9.08 %
Consumer pice inflation	5.13 %	6.09 %
Health care cost inflation	6.63 %	7.59 %
Net discount rate	1.75 %	1.38 %
Average age (years)	74	74
Average employer monthly contribution	2,248	2,248
Long service awards		
Discount rate	8.02 %	8.81 %
CPI	4.82 %	5.87 %
Salary increase rate	5.82 %	6.87 %
Net discount rate	2.08 %	1.82 %
Number of employees	226	231
Average annual salary	156,529	142,741
Average age (years)	47	45
Average past service (years)	14	11

Long service awards:

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 of 8.02% per annum. The yield on inflation-linked bonds of a similar term is 3.05% per annum. This implies an underlying expectation of inflation of 4.82% per annum.

Post employment medical aid liability:

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 of 8.50% per annum. The yield on inflation-linked bonds of a similar term is 3.21% per annum. This implies an underlying expectation of inflation of 5.13% per annum.

Long service awards:

The valuation basis assume that the salary inflation rate will be 2.08% less than the corresponding discount rate, in the long term. The effect of a 1% increase and decrease in the salary inflation rates is as follows:

Salary increase rate	**1% Decrease (R)**	**30 June 2019 Valuation basis (R)**	**1% Increase (R)**
Employer's accrued liability	3,529,552	3,728,800	3,947,530
Employer's current service cost	361,331	382,882	406,711
Employer's interest cost	255,725	271,599	289,036
	4,146,608	**4,383,281**	**4,643,277**

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

Post employment medical aid liability:

The valuation results are sensitive to changes in the underlying assumptions. The effect of a 1% increase and decrease in the heath care cost inflation rate is as follows:

Health care cost inflation rate	1% Decrease (R)	30 June 2019 Valuation basis (R)	1% Increase (R)
Employer's accrued liability	4,910,111	5,247,031	5,620,085
Interest cost	389,289	404,928	449,367
	5,299,400	**5,651,959**	**6,069,452**

8. Long term receivables from exchange and non-exchange transactions

The following receivables from exchange and non-exchange transactions were reclassified from current assets to non-current assets due to the consumers having payment arangements with the municipality.

Consumer debtors - 2019	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Water	82,654	-	82,654
Electricity	461,037	-	461,037
Refuse	22,319	-	22,319
Sewerage	30,933	-	30,933
Other	574	-	574
Property rates	-	74,402	74,402
	597,517	**74,402**	**671,919**

Consumer debtors - 2018	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Water	13,536	-	13,536
Electricity	55,230	-	55,230
Refuse	3,082	-	3,082
Sewerage	4,703	-	4,703
Other	11,161	-	11,161
Property rates	-	8,833	8,833
	87,712	**8,833**	**96,545**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Inventories

Water reserves	54,158	46,906
Fuel (Diesel, Petrol)	172,219	46,230
Electrical	159,428	177,477
Mechanical	88,386	120,966
Water Equipment	172,063	279,835
	646,254	**671,414**

Reconciliation of 2019 movement:	**Opening balance**	**Movement**	**Purchases**	**Issues**	**Total**
Mechanical	120,966	-	62,925	(95,505)	88,386
Fuel	46,230	-	1,785,553	(1,659,564)	172,219
Electrical	177,477	-	29,418	(47,467)	159,428
Water equipment	279,835	-	64,117	(171,889)	172,063
Water reserves	46,906	7,252	-	-	54,158
	671,414	**7,252**	**1,942,013**	**(1,974,425)**	**646,254**

Reconciliation of 2018 movement:	**Opening balance**	**Movement**	**Purchases**	**Issues**	**Total**
Mechanical	58,135	-	170,510	(107,679)	120,966
Fuel	124,328	-	1,225,994	(1,304,092)	46,230
Electrical	160,011	-	114,042	(96,576)	177,477
Water equipment	244,655	-	129,683	(94,503)	279,835
Water reserves	43,885	3,021	-	-	46,906
	631,014	**3,021**	**1,640,229**	**(1,602,850)**	**671,414**

10. Other receivables from exchange transactions

Eskom deposits	639,807	613,382
Other receivables	562,683	534,490
	1,202,490	**1,147,872**

11. Receivables from non-exchange transactions

Consumer debtors - Rates	6,201,114	11,783,765
Traffic fines debtor	54,985	-
	6,256,099	**11,783,765**

12. VAT receivable

VAT	6,447,074	8,486,316

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Receivables from exchange transactions

	2019	2018
Gross balances		
Electricity	13,039,395	11,027,787
Water	12,325,479	9,646,248
Sewerage	17,641,071	13,744,170
Refuse	12,421,486	9,533,266
Other	3,258,032	2,604,934
	58,685,463	**46,556,405**
Less: Allowance for impairment		
Electricity	(3,102,447)	(2,558,396)
Water	(9,750,053)	(6,969,825)
Sewerage	(14,496,404)	(10,383,751)
Refuse	(10,382,743)	(7,395,293)
Other	(2,732,003)	(1,468,338)
	(40,463,650)	**(28,775,603)**
Net balance		
Electricity	9,936,948	8,469,391
Water	2,575,426	2,676,423
Sewerage	3,144,667	3,360,419
Refuse	2,038,743	2,137,973
Other	526,029	1,136,596
	18,221,813	**17,780,802**

Impairment reconciliation 2019	**Opening balance**	**Impairment raised**	**Closing balance**
Electricity	2,558,396	544,051	3,102,447
Water	6,969,825	2,780,228	9,750,053
Sewerage	10,383,751	4,112,653	14,496,404
Refuse	7,395,293	2,987,450	10,382,743
Other	1,468,338	1,263,665	2,732,003
	28,775,603	**11,688,047**	**40,463,650**

Impairment reconciliation 2018	**Opening balance**	**Impairment rasied**	**Impairment reversed**	**Closing balance**
Electricity	2,762,892	-	(204,496)	2,558,396
Water	5,499,644	1,470,181	-	6,969,825
Sewerage	8,253,732	2,130,019	-	10,383,751
Refuse	5,838,083	1,557,210	-	7,395,293
Other	1,396,965	71,373	-	1,468,338
	23,751,316	**5,228,783**	**(204,496)**	**28,775,603**

13. Receivables from exchange transactions (continued)

Ageing of impaired consumder debtors by type 2019	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	3,750,989	1,711,789	1,243,270	976,132	5,357,215	13,039,395
Water	496,598	392,965	310,141	300,643	10,825,132	12,325,479
Sewerage	484,457	434,809	365,827	352,736	16,003,242	17,641,071
Refuse	419,594	379,499	347,391	330,964	10,944,038	12,421,486
Other	214,235	16,792	8,633	8,459	3,009,913	3,258,032
Subtotal	5,365,873	2,935,854	2,275,262	1,968,934	46,139,540	58,685,463
Less: Impairment	(148,054)	(139,141)	(136,458)	(131,497)	(39,908,500)	(40,463,650)
	5,217,819	**2,796,713**	**2,138,804**	**1,837,437**	**6,231,040**	**18,221,813**

Ageing of impaired consumder debtors by customer group 2019	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	2,402,837	1,569,038	1,236,465	1,130,388	38,156,767	44,495,495
Commercial	2,643,156	1,114,778	941,459	781,641	6,317,768	11,798,802
National and provincial government	319,880	252,038	97,338	56,905	1,665,005	2,391,166
Subtotal	5,365,873	2,935,854	2,275,262	1,968,934	46,139,540	58,685,463
Less: Impairment	(148,054)	(139,141)	(136,458)	(131,497)	(39,908,500)	(40,463,650)
	5,217,819	**2,796,713**	**2,138,804**	**1,837,437**	**6,231,040**	**18,221,813**

Ageing of impaired consumder debtors by type 2018	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	5,143,039	796,330	617,886	533,423	3,937,109	11,027,787
Water	834,322	267,673	246,114	251,020	8,047,119	9,646,248
Sewerage	965,036	354,858	305,794	296,224	11,822,258	13,744,170
Refuse	774,331	296,537	274,999	260,907	7,926,492	9,533,266
Other	584,839	83,945	13,118	12,510	1,910,522	2,604,934
Subtotal	8,301,567	1,799,343	1,457,911	1,354,084	33,643,500	46,556,405
Less: Impairment	(186,001)	(82,668)	(77,207)	(73,702)	(28,356,025)	(28,775,603)
	8,115,566	**1,716,675**	**1,380,704**	**1,280,382**	**5,287,475**	**17,780,802**

Ageing of impaired consumder debtors by customer group 2018	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	4,081,477	1,100,578	907,320	865,991	27,197,447	34,152,813
Commercial	3,638,436	494,399	442,542	406,249	4,644,412	9,626,038
National and provincial government	581,654	204,366	108,049	81,844	1,801,641	2,777,554
Subtotal	8,301,567	1,799,343	1,457,911	1,354,084	33,643,500	46,556,405
Less: Impairment	(186,001)	(82,668)	(77,207)	(73,702)	(28,356,025)	(28,775,603)
	8,115,566	**1,716,675**	**1,380,704**	**1,280,382**	**5,287,475**	**17,780,802**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Receivables from exchange transactions (continued)

Consumer debt past due but not impaired 2019	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	3,750,423	1,711,319	1,242,844	975,116	2,257,246	9,936,948
Water	456,665	352,950	269,419	260,822	1,235,570	2,575,426
Sewerage	483,718	434,029	365,042	351,896	1,509,982	3,144,667
Refuse	312,778	281,622	252,865	241,144	950,334	2,038,743
Other	214,235	16,792	8,633	8,459	277,910	526,029
Subtotal	5,217,819	2,796,712	2,138,803	1,837,437	6,231,042	18,221,813
	5,217,819	**2,796,712**	**2,138,803**	**1,837,437**	**6,231,042**	**18,221,813**

Consumer debt past due but not impaired 2018	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	5,100,626	792,709	615,103	528,862	1,432,091	8,469,391
Water	840,176	264,122	242,826	247,449	1,081,850	2,676,423
Sewerage	962,591	350,407	302,386	292,761	1,452,274	3,360,419
Refuse	617,542	226,140	207,768	199,050	887,473	2,137,973
Other	594,631	83,297	12,621	12,260	433,787	1,136,596
Subtotal	8,115,566	1,716,675	1,380,704	1,280,382	5,287,475	17,780,802
	8,115,566	**1,716,675**	**1,380,704**	**1,280,382**	**5,287,475**	**17,780,802**

Consumer debtors pledged as security

No consumer debtors have been pleadged as security.

Collection rate of consumer receivables (average days)	2019	2018
Electricity	9.31	10.95
Water	88.63	75.38
Sewerage	138.57	120.18
Refuse	157.00	134.61
Other	156.95	138.76
Average collection rate (days)	**110.09**	**95.98**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Receivables from non-exchange transactions disclosure

	2019	2018
Gross balances		
Consumer debtors - Rates	28,772,474	23,414,537
Traffic fines debtor	133,460	149,900
	28,905,934	**23,564,437**
Less: Allowance for impairment		
Consumer debtors - Rates	(22,571,360)	(11,630,772)
Traffic fines debtor impairment	(78,475)	(149,900)
	(22,649,835)	**(11,780,672)**
Net balance		
Consumer debtors - Rates	6,201,114	11,783,765
Traffic fines debtor	54,985	-
	6,256,099	**11,783,765**

Impairment reconciliation 2019	**Opening balance**	**Impairment raised**	**Impairment reversed**	**Closing balance**
Property rates	11,630,772	10,940,588	-	22,571,360
Traffic fines	149,900	-	(71,425)	78,475
	11,780,672	**10,940,588**	**(71,425)**	**22,649,835**

Impairment reconciliation 2018	**Opening balance**	**Impairment raised**	**Impairment reversed**	**Closing balance**
Property rates	5,869,086	5,761,686	-	11,630,772
Traffic fines	240,667	-	(90,767)	149,900
	6,109,753	**5,761,686**	**(90,767)**	**11,780,672**

Ageing of impaired consumer debtors by debt type 2019	**Current**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**120+ Days**	**Total**
Property rates	542,155	328,950	225,811	200,071	27,475,487	28,772,474
Subtotal	542,155	328,950	225,811	200,071	27,475,487	28,772,474
Less: Impairement	(27,280)	(27,339)	(27,723)	(27,212)	(22,461,806)	(22,571,360)
	514,875	**301,611**	**198,088**	**172,859**	**5,013,681**	**6,201,114**

Ageing of impaired consumer debtors by customer group 2019	**Current**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**120+ Days**	**Total**
Consumers	312,211	207,232	157,847	138,952	3,566,443	4,382,685
Commercial	186,214	115,817	67,964	61,119	20,959,364	21,390,478
National and provincial government	43,730	5,901	-	-	2,949,680	2,999,311
Subtotal	542,155	328,950	225,811	200,071	27,475,487	28,772,474
Less: Impairment	(27,280)	(27,339)	(27,723)	(27,212)	(22,461,806)	(22,571,360)
	514,875	**301,611**	**198,088**	**172,859**	**5,013,681**	**6,201,114**

14. Receivables from non-exchange transactions disclosure (continued)

Ageing of impaired consumer debtors by debt type 2018	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	9,015,905	313,340	253,509	223,564	13,608,219	23,414,537
Subtotal	9,015,905	313,340	253,509	223,564	13,608,219	23,414,537
Less: Impairment	(49,954)	(25,596)	(23,823)	(23,687)	(11,507,712)	(11,630,772)
	8,965,951	**287,744**	**229,686**	**199,877**	**2,100,507**	**11,783,765**

Ageing of impaired consumer debtors by customer group 2018	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	558,412	192,231	153,015	138,910	3,616,160	4,658,728
Commercial	6,739,025	90,593	76,855	61,118	9,048,983	16,016,574
National and provincial goverment	1,718,468	30,516	23,639	23,536	943,076	2,739,235
Subtotal	9,015,905	313,340	253,509	223,564	13,608,219	23,414,537
Less: Impairment	(49,954)	(25,596)	(23,823)	(23,687)	(11,507,712)	(11,630,772)
	8,965,951	**287,744**	**229,686**	**199,877**	**2,100,507**	**11,783,765**

Consumer debt past due not impaired 2019	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	514,875	301,612	198,087	172,859	5,013,681	6,201,114
Subtotal	514,875	301,612	198,087	172,859	5,013,681	6,201,114
	514,875	**301,612**	**198,087**	**172,859**	**5,013,681**	**6,201,114**

Consumer debt past due not impaired 2018	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	8,965,951	287,744	229,686	199,877	2,100,507	11,783,765
Subtotal	8,965,951	287,744	229,686	199,877	2,100,507	11,783,765
	8,965,951	**287,744**	**229,686**	**199,877**	**2,100,507**	**11,783,765**

No consumer debtors have been pleadged as security.

Collection rate of consumer debtors (average days)	2019	2018
Property rates	43.86	51.40

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,900	4,900
Bank balances	1,562,735	1,493,544
Short-term deposits	7,323,395	9,636,951
	8,891,030	**11,135,395**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng.	1,100,000	1,100,000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
ABSA Bank - Cheque - 8101422227	1,653,026	1,466,145	2,932,177	1,562,735	1,493,544	2,984,569
ABSA Bank - Money market - 9108352550	1,671,552	1,556,088	1,649,999	1,671,552	1,556,088	1,649,999
ABSA Bank - Investment account - 9310197560	186,577	535,040	163,132	186,577	535,040	163,132
FNB - Investment account - 62578401186	689,929	647,138	147,690	689,928	647,138	147,690
STD Bank - Investment account - 398478066003	3,898,412	6,898,685	124,135	3,898,412	6,898,685	124,135
Petty cash on hand	-	-	-	4,900	4,900	4,900
ABSA Bank - Investment account - 40 9472 1884	876,926	-	-	876,926	-	-
Total	**8,976,422**	**11,103,096**	**5,017,133**	**8,891,030**	**11,135,395**	**5,074,425**

Cash at banks earns interest at floating rates based on the daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements, earn interest at the respective short-term deposit rate.

Differences between bank statement and cashbook 2019:	**Bank statement**	**Cashbook**	**Difference**
ABSA Bank - Cheque - 8101422227	1,653,026	1,562,735	90,291

The difference amounting to R90 291 is due to cashier receipts captured before year end but only deposited after year end, as well as cheque payment captured before year end only presented after year end in the bank account.

Differences between bank statement and cashbook 2018:	**Bank statement**	**Cashbook**	**Difference**
ABSA Bank - Cheque - 8101422227	1,466,145	1,493,544	(27,399)

The difference amounting to R27 399 is due to cashier receipts captured before year end but only deposited after year end.

Figures in Rand	2019	2018

16. Finance lease obligation

Minimum lease payments due		
- within one year	316,985	5,511
- in second to fifth year inclusive	639,831	-
Present value of minimum lease payments	**956,816**	**5,511**
Present value of minimum lease payments due		
- within one year	316,985	5,511
- in second to fifth year inclusive	639,831	-
	956,816	**5,511**
Non-current liabilities	639,831	-
Current liabilities	316,985	5,511
	956,816	**5,511**

It is municipality policy to lease copiers under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2018: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Carrying amount of assets under finance lease	945,803	51,186

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	6,330,606
INEP	565,358	3,513,057
	565,358	**9,843,663**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 29 for reconciliation of grants from National/Provincial Government.

18. Other financial liabilities

At amortised cost		
Annuity loans The annuity loan comprises a Development Bank of South Africa loan. The endowments are made on a six monthly basis. The loan will be redeemed on the 31st of December 2024. The loan carries interest at 11.9% per annum.	10,015,050	9,912,341
Non-current liabilities		
At amortised cost	7,844,815	8,937,286
Current liabilities		
At amortised cost	2,170,235	975,055

Figures in Rand	2019	2018

18. Other financial liabilities (continued)

Defaults and breaches

A payment of R1 004 059.55 was due to DBSA on 31 December 2018 but was defaulted on. The amount outstanding was included under current liabilites as the municipality will settle the outstanding amounts in July 2019.

19. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Change in estimate	Unwinding of provision	Total
Environmental rehabilitation	19,895,324	5,143,145	2,031,313	27,069,782

Reconciliation of provisions - 2018

	Opening Balance	Unwinding of provision	Total
Environmental rehabilitation	18,052,195	1,843,129	19,895,324

Environmental rehabilitation provision

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of rehabilitation is in 2036 for the Bultfontein site and 2037 for the Hoopstad site, and therefore the expected remaining useful life is estimated at 18 and 19 years respectively as at the beginning of the period.

It is assumed that the correct population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings for the municipality is 10.21% and this percentage was used as discount factor in future rehabilitation costs. The evaluation of rehabilitation procedures and costs was performed by Aiden Bowers (Pr.Eng).

Estimations used in the calculation of the provisions are as follows:

30 June 2019	**Bultfontein**	**Hoopstad**
Discount rate used	10.21 %	10.21 %
Rehabilitation area (m2)	92,131	69,742
Unit cost (R/m2)	456.07	447.68

30 June 2018	**Bultfontein**	**Hoopstad**
Discount rate used	10.21 %	10.21 %
Rehabilitation area (m2)	73,375	55,825
Unit cost (R/m2)	438.22	447.26

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Payables from exchange transactions

Trade payables	60,295,319	58,787,486
Payments received in advanced	882,246	918,118
Accrued leave pay	9,990,013	8,678,066
Accrued bonus	1,633,117	1,514,747
Salary control account	2,254,467	3,258,900
Deposits received	1,514,647	1,092,753
Retention payables	6,247,296	4,746,041
Cash suspense account	5,340,838	5,410,704
	88,157,943	**84,406,815**

Salary control account consists of the following amounts:		
PAYE liability	621,226	554,510
UIF liability / (receivable)	(519,020)	-
Medical aid liability	635,828	583,737
Provident fund liability	49,020	-
Pension fund liability	824,158	1,649,011
Personal insurances liability	286,837	257,635
Other	356,418	214,007
	2,254,467	**3,258,900**

21. Consumer deposits

Electricity	868,532	805,804
Water	308,008	295,227
	1,176,540	**1,101,031**

22. Service charges

Sale of electricity	39,448,356	31,356,709
Sale of water	5,517,143	5,288,546
Sewerage and sanitation charges	5,132,191	4,547,075
Refuse removal	3,357,307	2,892,536
	53,454,997	**44,084,866**

23. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	900,960	979,656
Rental of equipment	19,582	2,890
	920,542	**982,546**

24. Licenses and permits

Licences or Permits	24,229	21,700

25. Fines, Penalties and Forfeits

Traffic Fines	331,400	268,900

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Operational revenue

Insurance revenue	19,257	7,405
Commission received	298,512	24,506
Grave fees	343,035	244,787
Gravel sales	24,359	17,830
Special meter reading	1,397	3,507
Building plan fees	31,535	24,771
Connection fees	63,730	72,983
Sundry income	42,810	67,846
Meter tampering fee	497	23,960
Zoning application fees	6,400	-
Tender documentation	40,966	111,571
Discounts and early settlements	164,965	15,941
Recoveries	109,450	154,996
	1,146,913	**770,103**

27. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	58,441	51,428
Interest revenue		
ABSA Call Account	98,524	161,317
Interest received - Investment accounts	1,619,814	826,833
Interest received - Eskom deposit	26,425	36,960
	1,744,763	**1,025,110**
	1,803,204	**1,076,538**

28. Property rates

Rates received

Property rates	22,293,212	20,958,681

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

29. Government grants and subsidies

Operating grants		
Equitable share	66,966,000	59,702,000
EPWP Goverment Grant	1,000,000	1,000,000
Financial Management Grant	1,970,000	1,900,000
Free State Capacity Building Grant	1,000,000	-
	70,936,000	**62,602,000**
Capital grants		
Municipal Infrastructure Grant	30,167,606	13,673,395
INEP Grant	2,947,699	6,486,943
Regional Bulk Infrastructure Grant	4,402,488	16,683,813
	37,517,793	**36,844,151**
	108,453,793	**99,446,151**

Equitable Share

The municipality received only R66 966 000 as Equitable Share during the 2018/2019 financial year compared to the gazetted amount of R67 019 000. R53 000 was withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	6,330,606	7,201,028
Current-year receipts	23,837,000	16,703,973
Conditions met - transferred to capital	(30,167,606)	(13,673,395)
Transferred to Equitable Share	-	(3,901,000)
	-	**6,330,606**

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant

Current-year receipts	1,970,000	1,900,000
Conditions met - transferred to revenue	(1,970,000)	(1,900,000)
	-	-

EPWP Government Grant

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

Free State Capacity Building Grant

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

29. Government grants and subsidies (continued)

Regional Bulk Infrastructure Grant

Current-year receipts	4,402,488	16,683,813
Conditions met - transferred to capital	(4,402,488)	(16,683,813)
	-	-

INEP Grant

Balance unspent at beginning of year	3,513,057	-
Current-year receipts	-	10,000,000
Conditions met - transferred to capital	(2,947,699)	(6,486,943)
	565,358	**3,513,057**

Conditions still to be met - remain liabilities (see note 17).

30. Public contributions and donations

Public contributions and donations	2,268,000	500,000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Employee related costs

Basic	37,446,106	35,466,413
Medical aid - company contributions	3,917,891	3,922,417
UIF	383,851	364,614
SDL	486,938	455,318
Leave pay and leave accrual	1,933,992	599,773
Defined contribution plans	6,496,971	6,220,052
Travel, motor car, accommodation, subsistence and other allowances	3,123,959	3,276,311
Overtime payments	3,212,245	2,475,583
Long-service awards	432,897	336,548
Pro-rata bonusses and bonus accrual	118,370	36,369
Housing benefits and allowances	541,491	624,787
Other short term costs	24,375	23,257
Cellphone allowance	94,000	100,570
Standby allowance	1,027,300	703,587
	59,240,386	**54,605,599**

Remuneration of Municipal Manager (MRE Mogopodi)

Annual Remuneration	719,142	675,646
Car Allowance	96,000	96,000
Cellphone allowance	40,800	30,300
Contributions to UIF, Medical and Pension Funds	174,908	167,771
Other	50,029	46,719
	1,080,879	**1,016,436**

Remuneration of Chief Financial Officer (NL Moletsane)

Annual Remuneration	1,028,675	976,090
Car Allowance	96,000	144,817
Cellphone allowance	40,800	50,800
Contributions to UIF, Medical and Pension Funds	121,785	61,784
Leave pay	-	423,704
Other	21,707	19,985
	1,308,967	**1,677,180**

Remuneration of Director Corporate Services (SS Rabanye)

Annual Remuneration	-	131,495
Car Allowance	-	20,511
Cellphone allowance	-	3,800
Contributions to UIF, Medical and Pension Funds	-	34,261
Leave pay	-	274,445
Other	-	4,313
	-	**468,825**

Director Corporate Services was only in service for 2 months during the 2017/2018 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Employee related costs (continued)

Remuneration of Director Technical Services (BP Dikoko)

Annual Remuneration	924,194	870,639
Car Allowance	99,377	101,737
Cellphone allowance	40,800	50,800
Contributions to UIF, Medical and Pension Funds	222,414	210,315
Leave pay	-	341,853
Other	10,285	12,997
	1,297,070	**1,588,341**

Remuneration of Director Community Services (ZK Tindleni)

Annual Remuneration	-	334,485
Car Allowance	-	50,474
Cellphone allowance	-	9,500
Contributions to UIF, Medical and Pension Funds	-	79,955
Leave pay	-	312,964
Other	-	6,840
	-	**794,218**

Director Community Services was only in service for 5 months during the 2017/2018 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Remuneration of councillors

Councillors remuneration	4,141,141	3,993,020
Medical aid contributions	322,674	300,087
Cellphone and data allowances	666,000	666,000
Pension fund contributions	347,459	333,089
SDL	44,958	43,575
	5,522,232	**5,335,771**

In-kind benefits

The Mayor and Speaker full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2019	Salary	Medical aid	Pension fund	Cell and data	SDL	Total
Mayor - FT Matsholo	736,699	38,370	-	44,400	7,898	827,367
Speaker - MW Raseu	512,537	30,634	76,881	44,400	4,899	669,351
Part time EXCO Member - C Horn	293,449	30,840	-	44,400	3,434	372,123
Part time EXCO Member - MS Baleni	255,234	30,770	38,285	44,400	2,691	371,380
Chairperson Sec 79 committee - TT Taedi	271,482	43,294	-	44,400	3,349	362,525
Part time councillor - MS Bonokwane	187,000	30,229	28,050	44,400	2,117	291,796
Part time councillor - EC Joubert	213,287	-	31,993	44,400	2,041	291,721
Part time councillor - BP Eseu	213,287	-	31,993	44,400	2,044	291,724
Part time councillor - DA Njodina	215,051	30,229	-	44,400	2,641	292,321
Part time councillor - MM Snyer	217,995	27,285	-	44,400	2,651	292,331
Part time councillor - MA Monei	207,864	-	37,416	44,400	2,094	291,774
Part time councillor - MH Segopolo	207,864	-	37,416	44,400	2,109	291,789
Part time councillor - TA Soaisa	245,280	-	-	44,400	2,653	292,333
Part time councillor - MJ Mgciya	192,937	17,728	34,614	44,400	2,143	291,822
Part time councillor - MB Mohlabakoe	171,175	43,295	30,811	44,400	2,194	291,875
	4,141,141	**322,674**	**347,459**	**666,000**	**44,958**	**5,522,232**

33. Depreciation and amortisation

Property, plant and equipment	24,288,482	23,863,390

34. Impairment of assets

Impairments		
Property, plant and equipment	141,146	2,291,990

The main classes of assets affected by impairment losses are:

2019 - Community facilities

2018 - Community facilities

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Finance costs

Non-current borrowings	1,106,768	1,144,823
Trade and other payables	2,512,743	4,120,141
Finance leases	25,048	33,701
Employee costs	792,420	670,865
Unwinding costs on provisions	2,031,313	1,843,129
	6,468,292	**7,812,659**

36. Debt impairment

Debt impairment - other receivables	78,475	149,900
Debt impairment - consumer debtors	21,132,232	4,972,719
	21,210,707	**5,122,619**

37. Bulk purchases

Electricity	33,129,924	31,449,106
Water	3,520,549	3,085,309
Eskom - Indigent relief	1,981,490	1,903,289
	38,631,963	**36,437,704**

Electricity losses 2018/2019. Losses are currently calculated at 7.58% (2018: 19.95%)

Water losses 2018/2019. Losses are currently calculated at 13.51% (2018: 13.72%)

38. Contracted services

Outsourced Services		
Security Services	160,323	209,769
Consultants and Professional Services		
Business and Advisory	2,537,546	3,498,757
Legal Cost	31,848	52,580
Contractors		
Maintenance - Labour costs	1,347,777	1,508,890
	4,077,494	**5,269,996**

Included under Business and Advisory:		
Accounting services	1,997,303	1,050,942
Audit committee	113,069	82,445
Valuer and assessors	414,129	2,365,370
Other	13,045	-
	2,537,546	**3,498,757**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

39. General expenses

Advertising	165,242	267,879
External audit fees	2,490,882	3,135,543
Bank charges	252,668	281,427
Cleaning expenses	100,733	67,335
Computer expenses	1,547,582	1,684,662
Donations	-	140,000
Entertainment	29,655	22,510
Fines and penalties	78,015	80,266
Insurance	539,536	694,238
Materials and supplies	3,142,678	4,190,305
Motor vehicle expenses	102,782	97,780
Fuel and oil	2,189,235	1,772,634
Printing and stationery	523,129	371,685
Protective clothing	386,555	414,270
License fees	19,772	36,190
Subscriptions and membership fees	627,853	757,784
Telephone and fax	479,227	666,712
Training	169,919	467,386
Travel - local	1,398,534	1,014,317
Transport costs	56,498	66,348
Operating grant expenditure	3,525,526	4,030,723
Remuneration to ward committees	476,494	497,300
Workmens compensation fund	276,089	72,558
Chemicals	3,396,504	2,939,028
Other expenses	167,441	354,641
	22,142,549	**24,123,521**

40. Fair value adjustments

Investment property (Fair value model)	3,971,338	4,468,914
Other financial assets		
• Share investments	52,515	(93,513)
	4,023,853	**4,375,401**

41. Auditors' remuneration

Fees	2,490,882	3,135,543

42. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	356,021	97,423
Impairment on property, plant and equipment	141,146	2,291,990
Loss on biological assets and agricultural produce	(37,970)	(323,827)
Depreciation of property, plant and equipment	24,288,482	23,863,390
Employee costs	68,449,534	65,486,370

Figures in Rand	2019	2018

43. Cash generated from operations

Surplus	10,372,484	1,460,158
Adjustments for:		
Depreciation and amortisation	24,288,482	23,863,390
(Gain) / Loss on sale of assets and liabilities	(37,970)	(323,827)
Fair value adjustments	(4,023,853)	(4,375,401)
Finance costs - Provisions	2,031,313	1,843,129
Impairment deficit	141,146	2,291,990
Actuarial gain	(510,323)	-
Movements in retirement benefit assets and liabilities	(391,838)	1,361,671
Changes in working capital:		
Inventories	25,160	(40,400)
Consumer debtors	(1,014,752)	(4,773,198)
Other receivables from non-exchange transactions	5,865,829	(5,914,679)
Payables from exchange transactions	3,751,124	26,305,463
VAT	2,039,242	(4,136,126)
Unspent conditional grants and receipts	(9,278,305)	2,642,635
Consumer deposits	75,509	50,089
Other financial liabilities	-	(868,650)
	33,333,248	**39,386,244**

44. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	18,221,813	18,221,813
Receivables from non-exchange transactions (Property rates)	-	6,201,114	6,201,114
Cash and cash equivalents - Deposits	-	8,886,130	8,886,130
Cash and cash equivalents - Floats	-	4,900	4,900
Other reveivables from exchange transactions	-	1,202,490	1,202,490
Other financial assets - Shares	911,831	-	911,831
	911,831	**34,516,447**	**35,428,278**

Financial liabilities

	At amortised cost	Total
Government loans	10,015,050	10,015,050
Trade payables from exchange transactions	60,295,319	60,295,319
Consumer deposits	1,176,540	1,176,540
	71,486,909	**71,486,909**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

44. Financial instruments disclosure (continued)

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	17,780,802	17,780,802
Receivables from non-exchange transactions (Property rates)	-	11,783,765	11,783,765
Cash and cash equivalents - Deposits	-	11,130,495	11,130,495
Cash and cash equivalents - Floats	-	4,900	4,900
Other recevables from exchange transactions	-	1,147,872	1,147,872
Other financial assets - Shares	859,316	-	859,316
	859,316	**41,847,834**	**42,707,150**

Financial liabilities

	At amortised cost	Total
Government loans	9,912,341	9,912,341
Trade payables from exchange transactions	58,787,486	58,787,486
Consumer deposits	1,101,031	1,101,031
	69,800,858	**69,800,858**

45. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	19,415,305	13,579,778
Total capital commitments		
Already contracted for but not provided for	19,415,305	13,579,778

Total commitments

	2019	2018
Total commitments		
Authorised capital expenditure	19,415,305	13,579,778

46. Contingencies

The municipality has the following contingent liabilities for the 2018/2019 financial year:

Name	Details	2019	2018
Department of Water Affairs	The municipality is currently in dispute with the Department of Water Affairs (DWA) over the amount charged for the provision of water to the municipality. DWA is of the opinion that the municipality owes them R5 028 977, however the municipality is disputing this amount on the basis that the quantity of water that the DWA presumably supplied to the municipality exceeds the capacity of the municipality dams. From November 2008 the municipality's water was officially supplied by Sandvet water users associations, however the municipality was still receiving invoices from the DWA subsequent to November 2008. This matter is handled internally and therefore there is no legal council.	5,028,977	5,028,977
Director Corporate Services (SS Rabanya)	During the previous financial year the municipality resolved to change the employment contracts of all the Directors from a permanent employment contract to a 5 year contract. Director Corporate Services (SS Rabanye) is in dispute with the municipality over the aforementioned. There was no resolution at year end.	200,000	200,000
Kobus Keyser	Unfair labour practice matter. The matter relates to the municipality's failure to promote Mr Keyser two salary notch increment on the same basis as his two colleagues after completing the same training.	350,000	350,000
MT Makoko	Unfair dismissal. The dispute relates to the condonation application for dismissal of Tekoeng Makoko which took place on the 29th of January 2016. This matter is handled internally and therefore there is no legal council.	-	-
LJ Leoatle	The matter relates to damage to Mr LJ Leoatle's vehicle. The matter is still pending and a contingent amount could not be reliably determined at year end. This matter is handled internally and therefore there is no legal council.	-	-
Dr KM Mapesela	The matter relates to a dispute with regards to medical services rendered. This matter is handled internally and therefore there is no legal council.	60,040	-
Moeketsi Motumi & 1 other	The matter relates to an unfair labour practice. The contingent amount could not be reliably determined. This matter is handled internally and therefore there is no legal council.	-	-
Fezi Auditors and Consulting	The matter relates to a dispute for the provision of services for the fixed asset register and annual financial statements. This matter is handled internally and therefore there is no legal council.	1,919,570	-
Ducharme Consulting	The matter relates to a dispute for the provision of services for the fixed asset register and annual financial statements. This matter is handled internally and therefore there is no legal council.	2,077,350	-

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

46. Contingencies (continued)

RazzMatezz	The matter relates to the construction of 1.5km paved road. This matter is handled internally and therefore there is no legal council.	7,384,024	-
Hinterland	On 1 July 2016 a municipal vehicle collided with a Hinterland vehicle in President Swart Street. The matter was resolved before year end. Insurance pay out.	-	7,718
Izak Wannenberg	The matter relates to damage caused to the vehicle of Mr Izak Wannenberg. The matter was resolved before year end. Insurance pay out.	-	205,591
Sebata	The matter relates to amounts charged with regards to services rendered. The matter was resolved before year end. Credit note was received.	-	463,323
Malefetsane Makwetla	Unfair labour practice matter. The matter relates to the failure of granting the applicant the same salary notch increase as the two comparators in the same task job evaluation level T16. This matter was resolved before year end.	-	-
		17,019,961	**6,255,609**

Figures in Rand	2019	2018

47. Related parties

Relationships

Related entities	Capricorn Property Development and Management - Reg number 2016/378562/07 (Director - MRE Mogopodi : Municipal Manager)
	MDJ Entertainment - Reg number 2009/020357/23 (Director - NL Moletsane : CFO)
	KNTLD Trading - Reg number 2007/038077/23 and Thokgamo Consulting - Reg number 2010/050478/23 (Director - BP Dikoko : Director Technical Services)
	Tikwe Farming - Farming partnership (Mayor - FT Matsholo)
Members of key management	MRE Mogopodi (Municipal Manager) NL Moletsane (CFO) PB Dikoko (Director Technical Services)

The municipality did not do business with any of the above mentioned related entities during the current financial year. Tikwe Farming rents land from the municipality at market related rentals.

Related party balances

Amounts included in receivables from exchange and non-exchange transactions regarding related parties		
Matsholo, FT	11,644	17,961
Segopolo, MH	315	2,627
Snyer, MM	1,099	4,046
Horn, C	49,866	32,302
Taedi, TT	910	-
Tikwe Farming	523,132	416,627

Related party transactions

Rent paid to (received from) related parties		
Councillor C Horn	(13,500)	(13,500)
Tikwe Farming	(169,743)	(146,647)

Councillor C Horn is currently leasing 2 land facilities from the municipality for R4 984.04 and R1 765.97 (bi-annually). Camp 4 and Camp 9.

Council resolved that all Councillors are to submit payment plans by the 25th of September 2019 to settle their accounts within 6 months.

48. Change in estimate

Property, plant and equipment

Due to a change in the condition of certain assets the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

- Decrease in movables depreciation expense amounting to R281 300.71
- Decrease in community assets depreciation expense amounting to R165 999.67
- Decrease in infrastructure assets depreciation expense amounting to R736 174.14

Figures in Rand	2019	2018

49. Prior-year adjustments

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

Reclassification of other income recorded under general expenditure:

During the year under review it was found that other income was incorrectly off-set against general expenditure during the 2017/2018 financial year.

The effect is as follows:
- (Increase) in other income - sundry income - amounting to R117 040.88
- Increase in general expenditure - advertising costs - amounting to R111 570.74
- Increase in general expenditure - subscription and membership fees amounting to R5 470.14

Consumer deposits correction:

During the year under review it was found that consumer deposits received incorrectly integrated to revenue from exchange transactions during the 2017/2018 financial year.

The effect is as follows:
- Decrease in revenue from exchange transactions - electricity sales - amounting to R57 554.66
- Decrease in revenue from exchange transactions - water sales - amounting to R14 063.25
- Decrease in payables from exchange transactions - rental deposits - amounting to R7 802.99
- (Increase) in consumer deposits - electricity - amounting to R68 199.82
- (Increase) in consumer deposits - water - amounting to R11 221.08

Correction of free basic services:

During the 2017/2018 financial year free basic services was incorrectly reclassified from revenue to expenses and was corrected during the current financial year.

The effect is as follows:
- Decrease in service charges - Refuse - amounting to R1 888 347.44
- Decrease in service charges - Sanitation - amounting to R2 741 805.82
- Decrease in service charges - Water sales - amounting to R1 479 000.00
- Decrease in Property Rates revenue - amounting to R1 693 385.67
- (Decrease) in debt impairment - amounting to R1 693 385.67
- (Decrease) in general expenses - other expenses - amounting to R6 109 153.21

Correction of property, plant and equipment and investment property:

Durig the 2018/2019 financial year the following adjustments were made to property, plant and equipment. The change in investment property is due to a change in accounting policy from cost model to fair value model as well as additions of previously omitted investment property. The change in property plant and equipment is mainly due to projects that were unbudled and changed from deemed cost to actual cost, other adjustments were also made where errors were identified during the verification process.

The effect is as follows
- (Decrease) in depreciation expense amounting to R2 710 867.
- (Decrease) in infrastructure work-in-progress amounting to R6 357 549.
- Increase in investment property cost amounting to R49 222 263.
- Decrease in investment property accumulated depreciation amounting to R18 760 499.
- Increase in land cost amounting to R3 666 663.
- (Decrease) in infrastructure cost amounting to R67 260 858.
- Decrease in infrastructure accumulated depreciation amounting to R41 816 201.
- Increase in community assets cost amountig to R2 249 404.
- (Increase) in community assets accumulated depreciation amounting to R1 051 477.
- (Increase) in accumulated surplus amounting to R33 685 914 .
- (Increase) in investment property fair value adjustment R4 468 914.
- (Decrease) in impairment loss amounting to R179 451.

49. Prior-year adjustments (continued)

Correction of 2018 property rates revenue:

During the 2017/2018 financial year it was found that 5 properties were billed at the incorrect rate for property rates. The rates have been corrected.

The effect is as follows:
- Decrease in property rates revenue amounting to R85 775.90.
- (Decrease) in property rates debtors amounting to R85 775.90.

Reclassification of insurance expenses:

During the 2018/2019 financial year it was found that insurance expense recoveries for the 2017/2018 was inccorrectly classified as insurance revenue.

The effect is as follows:
- Decrease in operating income - insurance revenue - amounting to R41 319.48.
- (Decrease) in general expenditure - insurance expense - amounting to R41 319.48.

Reclassification of expenditure:

During the 2017/2018 financial year it was found that expenditure items were incorrectly classified.

The effect is as follows:
- (Decrease) in employee related costs amounting to R1770 437. (Decrease) in remuneration of councillors amounting to R89 041.
- Increase inlease rental amounting to R97 423..
- Increase in contracted services amounting to R2 862 982.
- Increase in inventory consumed amounting to R8 704 571.
- (Decrease) in general expenditure amounting t R10 845 382.
- Increase in acturial losses amounting to R1 039 842.

Reclassification of SETA refund:

During the 2017/2018 financial year it was found that SETA refunds was incorrectly captured under training expenses. The refund was reclassified to operational revenue.

The effect is as follows:
- (Increase) in operational revenue - recoveries amounting to R143 040.76.
- Increase in general expenditure - training expenditure amouting to R143 040.76.

Correction of Ngwance Attorney fees:

During the 2017/2018 financial year Ngwane attorneys was paid for services rendered during the 2016/2017 financial year, the creditor was never accrued for during the 2016/2017 financial year.

The effect is as follows:
- Decrease in accumulated surplus amounting to R61 524.10
- (Decrease) in contracted services - legal fees amounting to R61 524.10

Correction of municipal manager's cellphone allowance backpay:

During the 2018/2019 financial year the municipal manager received a cellphone backpay of which R7 500 related to the 2017/2018 financial year.

The effect is as follows:
- Increase in employee cost - municipal manager cellphone expense amounting to R7 500.
- (Increase) in trade and other payables amounting to R7 500.

49. Prior-year adjustments (continued)

Correction of WIP incorrectly expensed:

During the 2017/2018 financial year pre-engineering expenses on a project was incorrectly expensed.

The effect is as follows:
- Increase in Infrastructure WIP amounting to R1 315 789.47.
- (Decrease) in professional fees amounting to R1 315 789.47.

Correction of 2018 debt impairment:

During the 2017/2018 financial year the amount transferred to the 2016/2017 financial year with regards to indigents actual write off was incorrect.

The effect is as follows:
- (Decrease) in debt impairment amounting to R32 842.41.
- Decrease in accumulated surplus amounting to R32 842.41.

Correction of 2018 rental billed in 2019:

During the 2018/2019 financial year it was found that rental was billed for both the 2017/2018 and 2018/2019 financial years. The rental billed that related to the 2017/2018 financial year was moved to the 2017/2018 financial year.

The effect is as follows:
- Increase in receivables from exchange transactions - other receivables amounting to R430 824.03.
- (Decrease) in the VAT accrual amounting to R56 194.44.
- (Increase) in rental income amounting to R374 629.59.

Correction of WIP:

During the 2018/2019 financial year a creditor was paid with regards to infrastructure projects. It was found the invoice was capitalised in the correct year in the fixed asset register but that the creditor was never raised.

The effect is as follows:
- Decrease in accummulated surplus amounting to R199 682.28.
- (Increase) in creditors amounting to R229 634.62.
- Increase in vat amounting to R29 952.34.

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	11	11,869,541	(85,776)	11,783,765
Investment property	4	45,484,043	67,982,762	113,466,805
Property, plant and equipment	5	541,535,132	(25,621,827)	515,913,305
Payables from exchange transactions	20	(84,177,488)	(229,327)	(84,406,815)
Consumer deposits	21	(1,021,609)	(79,422)	(1,101,031)
Accumulated surplus		(505,633,220)	(42,370,992)	(548,004,212)
Receivables from exchange transactions		17,349,978	430,824	17,780,802
VAT receivables		8,512,558	(26,242)	8,486,316
		33,918,935	**-**	**33,918,935**

49. Prior-year adjustments (continued)

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	22	(50,265,636)	71,614	6,109,156	(44,084,866)
Operational revenue	26	(551,342)	-	(218,762)	(770,103)
Property rates	28	(22,737,843)	85,775	1,693,387	(20,958,681)
Employee related cost	31	61,913,496	7,500	(1,770,437)	60,150,559
Remuneration of councillors	32	5,424,812	-	(89,041)	5,335,771
Debt impairment	36	6,848,848	(32,843)	(1,693,386)	5,122,619
Depreciation and amortisation	33	26,574,257	(2,710,867)	-	23,863,390
Contracted services	38	959,648	(61,524)	4,371,872	5,269,996
General expenses	39	34,979,403	(1,315,789)	(9,540,054)	24,123,560
Loss on sale of assets		2,343,817	(179,331)	(2,164,486)	-
Impairment loss		127,624	(120)	2,164,486	2,291,990
Rental income		(607,916)	(374,630)	-	(982,546)
Lease rentals		-	-	97,423	97,423
Acturial losses		-	-	1,039,842	1,039,842
Fair value adjustments		93,513	(4,468,914)	-	(4,375,401)
Surplus for the year		**65,102,681**	**(8,979,129)**	**-**	**56,123,553**

Cash flow statement 2018	As previously reported	Correction of error	Restated
Sale of goods and services	58,865,331	(9,530,066)	49,335,265
Other receipts	-	2,233,949	2,233,949
VAT	(4,162,368)	26,242	(4,136,126)
Employee costs	(65,684,183)	834,225	(64,849,958)
Suppliers	(48,131,378)	9,115,968	(39,015,410)
Finance costs	(5,935,829)	(1,876,830)	(7,812,659)
Purchases of property, plant and equipment	(31,056,101)	(793,602)	(31,849,703)
Repayments of financial liabilities	(1,465,685)	(9,886)	(1,475,571)
	(97,570,213)	**-**	**(97,570,213)**

Change in accounting policy

Investment property

Investment properties accounting policy was changed from the cost model to the fair value model.

Investment property was retrospectively adjusted.

The impact of the change in accounting policy was a decrease in the cost of investment property amouting to R18 272 431.

The total prior period correction is included under prior-year adjustments.

50. Comparative figures

Certain comparative figures have been reclassified.

51. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2,550,829	2,008,119	5,456,102	-
Derivative financial instruments	400,441	400,441	155,934	-
Trade and other payables	60,295,319	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2,008,119	2,008,119	5,896,104	-
Derivative financial instruments	5,511	-	-	-
Trade and other payables	58,787,486	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

51. Risk management (continued)

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift.

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA	11.90 %	2,550,829	2,008,119	5,456,102	-	-

52. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 558,376,690 and that the municipality's total liabilities exceed its assets by R 558,376,690.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

We further draw attention to the following:

- Trade and other payables for the current year is R60 295 319 compared to R58 787 486 in 2018.
- Retentions payables for the current year is R6 247 296 compared to R4 746 041 in 2018.
- Capital commitments already contracted for but not provided for the current financial year is R19 415 305 compared to R13 579 778 in 2018.
- The profit for the current year is R10 372 484 compared to a profit of R1 460 158 in the prior year.

Figures in Rand	2019	2018

53. Unauthorised expenditure

Opening balance	16,299,009	12,145,950
Unauthorised expenditure incurred	4,049,823	4,153,059
	20,348,832	**16,299,009**

54. Fruitless and wasteful expenditure

Opening balance	3,896,574	875,147
Add: Incurred current year	2,290,006	4,874,385
Less: Amounts written off by Council - prior years	(3,896,574)	(875,147)
Less: Amounts written off by Council	-	(977,811)
	2,290,006	**3,896,574**

The municipality incurred fruitless and wasteful expenditure to the amount of R2 290 006 .An amount of R 3 896 574 relating to 2017/18 was written off in the current year. An amount of R 2 290 006 relating to the current year was written off after year end.

55. Irregular expenditure

Opening balance	19,666,359	7,594,936
Add: Irregular Expenditure - current year	51,110,239	349,495
Add: Irregular Expenditure - prior period	-	11,721,928
	70,776,598	**19,666,359**

Details of Irregular Expenditure

Emergencies	10,850	149,405
Competitive bidding not invited for sufficient time	-	10,096,870
Declaration of interest not submitted	-	298,478
Tenders awarded with insufficient documentation	1,627,216	1,000,518
Other non-compliance matters	344,260	200,090
Composition of the bid adjudication committee	34,485,500	-
Suppliers not registered on CSD	-	326,062
Composition of the bid adjudication committee - CFO on special leave	6,259,747	-
MPAC - Minutes without proper investigation on UIF	8,382,666	-
	51,110,239	**12,071,423**

No Irregular Expenditure was written off by Council for the year 2018/2019. The write offs were only done after year end. The municipality procured goods and services through deviations to the amount of R2 671 988.40 during the 2018/2019 financial year, such were taken to council for notification on the 31st of August 2019.

Irregular expenditure identified by the Auditor-General amounts to R50 755 129.14 which includes R6 259 747.23 for the composition of the Bid Adjudication Committee while the CFO was on special leave. R1 627 216.03 resulted due to non-compliance issues identified on SCM processes and R34 485 499.88 resulted due to the composition of the Bid Adjudication Committee where the committee did not have a Senior Supply Chain Practitioner.

The full extent of Irregular Expenditure relating to the composition of the bid adjudication committee is still under investigation.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	20,630	-
Current year subscription / fee	24,375	23,257
Amount paid	(24,525)	(2,627)
	20,480	**20,630**

Audit fees

Opening balance	679,068	975,973
Current year subscription / fee	3,917,891	3,922,417
Amount paid - current year	(1,824,775)	(4,219,322)
	2,772,184	**679,068**

PAYE and UIF

Opening balance	554,511	-
Current year subscription / fee	7,634,966	8,349,512
Amount paid - current year	(7,501,793)	(7,795,002)
	687,684	**554,510**

Pension and Medical Aid Deductions

Opening balance	2,232,748	-
Current year subscription / fee	11,606,282	11,323,248
Amount paid - current year	(12,330,024)	(9,090,500)
	1,509,006	**2,232,748**

VAT

VAT receivable	6,447,074	8,486,316

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Matsholo, FT	1,421	10,223	11,644
Segopolo, MH	315	-	315
Snyer, MM	1,099	-	1,099
Horn, C	9,952	39,914	49,866
Taedi, TT	891	19	910
	13,678	**50,156**	**63,834**

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Matsholo, FT	1,773	16,188	17,961
Segopolo, MH	589	2,038	2,627
Snyer, MM	2,644	1,402	4,046
Horn, C	24,848	7,454	32,302
	29,854	**27,082**	**56,936**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
Matsholo, FT	10,223	365
Horn,C	39,914	365
	50,137	**730**

30 June 2018	Highest outstanding amount	Aging (in days)
Matsholo, FT	16,118	365
Segopolo, MH	2,038	365
Snyer, MM	1,402	210
Horn,C	7,454	150
	27,012	**1,090**

57. Deviation from supply chain management regulations

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

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

Tswelopele Local Municipality did procure goods and services through deviation from supply chain management policy amounting to R2 671 988.40.

Figures in Rand	2019	2018

58. Material non-compliance

The municipality did not always pay employee's third party deduction(s) to benefit funds on time due to cash-flow constraints.

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.

VAT returns were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

EMP 501's were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation.

MFMA Section 71 reports were not always submitted on time due to system challenges post mSCOA implementation.

59. Other matters

During the 2017/2018 financial year an amount of R8 700 went missing at Hoopstad. Council took a resolution to write off the amount on the 30th of August 2019, after SAPS and MPAC investigations.

60. Budget differences

Material differences between budget and actual amounts

Variances of more than 10% between actual results and budgeted amounts are considered material and explanation for these variances are included below.

Statement of financial performance

A1 - Included in rental for facilities and equipment is rental on municipal land, however, budget therof is in other revenue.

A2 - Interest was not charged on consumer debtors during the the first half of the financial year due to MSCOA implementation. The first interest was only charged when the budget was already adjusted.

A3 -Less licences and permits were issued than anticipated.

A4 - Cut-offs were not done for the most part of the financial year, and budget for rental on municipal land was included in other revenue but the actual billing is presented in rental for facilities and equipment above.

A5 -Investments were not redeemed at the anticipated time - the funds were invested for a longer period.

A6 - There market value of shares increased from 2018 to 2019, and there was increase in the Senwes' net profits and that resulted in the Municipality receiving more dividends than budgeted.

A7 -Municipality budgted for Property rates by adding tariff increase on the actual cash received in the previous year without taking the billing into consideration.

A8 - Received free state sport grant that was not gazetted.

A9 - Contribution for 'Transfer Station' from the depatment. Contributions and Donations were not budgeted for.

A10 - More fines were issued than anticipated during the year.

A11 - Strict cost containment measures were practiced in order to aid the finances of the Municipality - Travelling costs were reduced.

A12 - The budget for impairment on assets could not be determined during the budgeting process.

Figures in Rand	2019	2018

60. Budget differences (continued)

A13 -The municipality did not budget for interest on finance leases, as well as the increase in the amount of interest payable to creditors.

A14 - No operating lease rentals were budgeted for.

A15 - Included in the amount for impairment is the correction of prior year billing as well provision that was not budgeted for.

A16 - There was an increase due to a high demand in both water and electricity resources.

A17 - These budgeted amounts were included under general expenses.

A18 - These amounts are year end adjustments and can not be anticipated and thus not budgeted for.

A19 - Strict cost containment measures were practiced in order to aid the finances of the Municipality.

Statement of financial position

B1 - All balance sheet movements are informed by the movement in the income statement as well as cash flow.

Cash flow statement

C1 - Interest on the debtors was only charged after midyear because the Mscoa system challenges that were experienced in the first half of the financial year were only fixed after the adjustments had been done and the increase on the interest on investments was due to the fact that investments were not redeemed at the anticipated time - the funds were invested for a longer period.

C2 - There was increase in the Senwes' net profits out of which dividends are paid and that resulted in the Municipality receiving more dividends than budgeted.

C3 - Contribution for 'Transfer Station' from the depatment. Contributions and Donations were not budgeted for.

C4 - Strict cost containment measures were practiced in order to aid the finances of the Municipality - Overtime and travelling costs were reduced.

C5 - The municipality did not budget for interest on finance leases, as well as the increase in the amount of interest payable to creditors.

C6 - Addition on capital funded by MIG was budgeted for as the rest of other transfers were funded through indirect Grants.

C7 - The default on the loan was not budgeted for, as well as the new copier finance leases.

Changes from the approved budget to the final budget

Statement of financial performance

Interest - At mid-year, no interest was billed, and budget for interest was reduced.

Interest investments - Interest received at mid-year was above 50% of original Budget and more grants were still unticipated to be invested during the year.

Dividends - Only 30% of the amount budgeted on dividends was received at mid-year, hence the budget was adjusted.

Other income - Income from other sources of revenue was low than anticipated at mid-year.

Government grants - R1 million grant received form Provincial Treasury for assisting municipality on AFS related issues. And amount of the differnce was withheld by National Treasury on the Equitable share.

Employee costs - Cost containment meaures led to reduction on overtime and standby at mid-year.

Figures in Rand	2019	2018

60. Budget differences (continued)

Materials and supplies - Cost containment meaures led to reduction on repairs and maintanace expenditure and at mid year the total expenditure was still less than 40% hence the budget was adjusted.

Bulk purchases - Only 37% was spent on Bulk Purchases expense at mid-year.

Appendix A - Unaudited Schedule
June 2019

Schedule of external loans as at 30 June 2019

	Loan Number	Redeemable	Balance at Saturday, 30 June 2018 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Sunday, 30 June 2019 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA Loan - Provision of Waterborne Sewerage System	61000141	2024/12/31	(9,912,341)	(1,106,769)	(1,004,060)	(10,015,050)	-	-
			(9,912,341)	**(1,106,769)**	**(1,004,060)**	**(10,015,050)**	**-**	**-**
Lease liability								
Copier leases		2022/05/30	-	(1,030,429)	(73,613)	(956,816)	-	-
			-	**(1,030,429)**	**(73,613)**	**(956,816)**	**-**	**-**
Total external loans								
Development Bank of South Africa			(9,912,341)	(1,106,769)	(1,004,060)	(10,015,050)	-	-
Lease liability			-	(1,030,429)	(73,613)	(956,816)	-	-
			(9,912,341)	**(2,137,198)**	**(1,077,673)**	**(10,971,866)**	**-**	**-**

Appendix B - Unaudited schedule

June 2019

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Under construction Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land														
Land	36,118,801	-	-	-	-	**-**	**36,118,801**	-	-	-	-	-	**-**	36,118,801
	36,118,801	**-**	**-**	**-**	**-**	**-**	**36,118,801**	**-**	**-**	**-**	**-**	**-**	**-**	**36,118,801**
Infrastructure														
Sanitation network	119,207,320	64,335,379	-	-	13,305,769	**-**	**196,848,468**	(59,296,983)	-	-	(5,239,170)	-	**(64,536,153)**	132,312,315
Roads and stormwater network	184,175,519	11,343,277	(68,703)	-	4,010,160	**-**	**199,460,253**	(98,592,472)	68,162	-	(5,287,222)	-	**(103,811,532)**	95,648,721
Water supply network	166,551,709	35,106,735	(446,285)	-	-	**-**	**201,212,159**	(79,364,224)	392,935	-	(4,468,760)	-	**(83,440,049)**	117,772,110
Electricity network	55,905,986	-	-	-	9,569,307	**-**	**65,475,293**	(27,672,304)	-	-	(1,939,430)	-	**(29,611,734)**	35,863,559
Solid waste	860,342	2,268,000	-	-	-	**-**	**3,128,342**	(430,873)	-	-	(72,397)	-	**(503,270)**	2,625,072
	526,700,876	**113,053,391**	**(514,988)**	**-**	**26,885,236**	**-**	**666,124,515**	**(265,356,856)**	**461,097**	**-**	**(17,006,979)**	**-**	**(281,902,738)**	**384,221,777**
Community Assets														
Operational buildings	52,244,549	-	-	-	-	**-**	**52,244,549**	(26,482,970)	-	-	(1,525,410)	-	**(28,008,380)**	24,236,169
Community facilities	27,099,567	142,858	(275,722)	-	-	**-**	**26,966,703**	(15,430,744)	248,703	-	(968,346)	-	**(16,150,387)**	10,816,316
Sport and recreational facilities	85,483,958	-	-	-	6,995,857	**-**	**92,479,815**	(35,923,589)	-	-	(2,845,159)	-	**(38,768,748)**	53,711,067
Solid waste	11,482,811	5,143,145	-	-	-	**-**	**16,625,956**	(2,467,091)	-	-	(488,216)	-	**(2,955,307)**	13,670,649
	176,310,885	**5,286,003**	**(275,722)**	**-**	**6,995,857**	**-**	**188,317,023**	**(80,304,394)**	**248,703**	**-**	**(5,827,131)**	**-**	**(85,882,822)**	**102,434,201**

Appendix B - Unaudited schedule

June 2019

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Leased assets														
Computer equipment	1,523,144	1,030,429	(1,508,002)	-	-	-	**1,045,571**	(1,471,960)	1,506,096	-	(130,004)	-	**(95,868)**	949,703
	1,523,144	**1,030,429**	**(1,508,002)**	**-**	**-**	**-**	**1,045,571**	**(1,471,960)**	**1,506,096**	**-**	**(130,004)**	**-**	**(95,868)**	**949,703**
Other assets														
Furniture and office equipment	12,916,659	10,245	(6,528)	-	-	-	**12,920,376**	(9,810,836)	5,053	-	(587,470)	-	**(10,393,253)**	2,527,123
Computer equipment	2,231,260	122,123	(115,383)	-	-	-	**2,238,000**	(1,157,158)	86,952	-	(262,498)	-	**(1,332,704)**	905,296
Commercial carpet washer	9,644	-	-	-	-	-	**9,644**	(7,492)	-	-	(442)	-	**(7,934)**	1,710
Kitchen appliances	137,875	-	(2,666)	-	-	-	**135,209**	(99,323)	2,259	-	(8,047)	-	**(105,111)**	30,098
Light vehicles	459,768	-	-	-	-	-	**459,768**	(118,488)	-	-	(31,527)	-	**(150,015)**	309,753
Trucks	4,349,549	-	-	-	-	-	**4,349,549**	(1,541,054)	-	-	(132,981)	-	**(1,674,035)**	2,675,514
Trailer and accesories	1,442,005	-	-	-	-	-	**1,442,005**	(544,993)	-	-	(48,453)	-	**(593,446)**	848,559
Motor vehicles	2,916,760	-	-	-	-	-	**2,916,760**	(947,637)	-	-	(124,068)	-	**(1,071,705)**	1,845,055
Network equipment	5,944	-	-	-	-	-	**5,944**	(3,510)	-	-	(616)	-	**(4,126)**	1,818
Domestic equipment	14,333	-	-	-	-	-	**14,333**	(11,652)	-	-	(511)	-	**(12,163)**	2,170
Music instruments	16,804	-	-	-	-	-	**16,804**	(10,989)	-	-	(1,008)	-	**(11,997)**	4,807
Workshop equipment and loose tools	167,561	-	-	-	-	-	**167,561**	(132,158)	-	-	(7,289)	-	**(139,447)**	28,114
Electric wire and power distribution equipment	166,823	-	-	-	-	-	**166,823**	(120,989)	-	-	(10,627)	-	**(131,616)**	35,207
Engines	3,583	-	-	-	-	-	**3,583**	(776)	-	-	(322)	-	**(1,098)**	2,485
Gardening equipment	576,665	4,476	-	-	-	-	**581,141**	(411,910)	-	-	(40,071)	-	**(451,981)**	129,160
Pumps, plumbing, purification and sanitation equipment	176,223	-	-	-	-	-	**176,223**	(124,580)	-	-	(13,561)	-	**(138,141)**	38,082
Laboratory equipment	27,736	-	-	-	-	-	**27,736**	(15,187)	-	-	(1,616)	-	**(16,803)**	10,933
Audio visual equipment	147,808	72,544	(9,071)	-	-	-	**211,281**	(98,002)	5,764	-	(14,433)	-	**(106,671)**	104,610
Security equipment	40,599	25,491	(14,352)	-	-	-	**51,738**	(10,692)	3,357	-	(5,919)	-	**(13,254)**	38,484
Telecommunication equipment	22,419	-	-	-	-	-	**22,419**	(6,269)	-	-	(3,219)	-	**(9,488)**	12,931
Laundry equipment	1,509	-	-	-	-	-	**1,509**	(1,165)	-	-	(55)	-	**(1,220)**	289
Other machinery and equipment	235,103	-	(17,791)	-	-	-	**217,312**	(94,079)	6,745	-	(32,301)	-	**(119,635)**	97,677
	26,066,630	**234,879**	**(165,791)**	**-**	**-**	**-**	**26,135,718**	**(15,268,939)**	**110,130**	**-**	**(1,327,034)**	**-**	**(16,485,843)**	**9,649,875**

Appendix B - Unaudited schedule

June 2019

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Under construction Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Total property plant and equipment														
Land	36,118,801	-	-	-	-	-	**36,118,801**	-	-	-	-	-	-	36,118,801
Infrastructure	526,700,876	113,053,391	(514,988)	-	26,885,236	-	**666,124,515**	(265,356,856)	461,097	-	(17,006,979)	-	**(281,902,738)**	384,221,777
Community Assets	176,310,885	5,286,003	(275,722)	-	6,995,857	-	**188,317,023**	(80,304,394)	248,703	-	(5,827,131)	-	**(85,882,822)**	102,434,201
Leased assets	1,523,144	1,030,429	(1,508,002)	-	-	-	**1,045,571**	(1,471,960)	1,506,096	-	(130,004)	-	**(95,868)**	949,703
Other assets	26,066,630	234,879	(165,791)	-	-	-	**26,135,718**	(15,268,939)	110,130	-	(1,327,034)	-	**(16,485,843)**	9,649,875
	766,720,336	**119,604,702**	**(2,464,503)**	**-**	**33,881,093**	**-**	**917,741,628**	**(362,402,149)**	**2,326,026**	**-**	**(24,291,148)**	**-**	**(384,367,271)**	**533,374,357**
Investment properties														
Investment property	113,466,805	-	-	-	-	**3,971,338**	**117,438,143**	-	-	-	-	-	-	117,438,143
	113,466,805	**-**	**-**	**-**	**-**	**3,971,338**	**117,438,143**	**-**	**-**	**-**	**-**	**-**	**-**	**117,438,143**
Total														
Land	36,118,801	-	-	-	-	-	**36,118,801**	-	-	-	-	-	-	36,118,801
Infrastructure	526,700,876	113,053,391	(514,988)	-	26,885,236	-	**666,124,515**	(265,356,856)	461,097	-	(17,006,979)	-	**(281,902,738)**	384,221,777
Community Assets	176,310,885	5,286,003	(275,722)	-	6,995,857	-	**188,317,023**	(80,304,394)	248,703	-	(5,827,131)	-	**(85,882,822)**	102,434,201
Leased assets	1,523,144	1,030,429	(1,508,002)	-	-	-	**1,045,571**	(1,471,960)	1,506,096	-	(130,004)	-	**(95,868)**	949,703
Other assets	26,066,630	234,879	(165,791)	-	-	-	**26,135,718**	(15,268,939)	110,130	-	(1,327,034)	-	**(16,485,843)**	9,649,875
Investment properties	113,466,805	-	-	-	-	**3,971,338**	**117,438,143**	-	-	-	-	-	-	117,438,143
	880,187,141	**119,604,702**	**(2,464,503)**	**-**	**33,881,093**	**3,971,338**	**1,035,179,771**	**(362,402,149)**	**2,326,026**	**-**	**(24,291,148)**	**-**	**(384,367,271)**	**650,812,500**

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Under construction Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land														
Land	36,118,801	-	-	-	-	-	**36,118,801**	-	-	-	-	-	-	36,118,801
	36,118,801	**-**	**-**	**-**	**-**	**-**	**36,118,801**	**-**	**-**	**-**	**-**	**-**	**-**	**36,118,801**
Infrastructure														
Sanitation network	119,207,320	-	-	-	661,730	-	**119,869,050**	(56,067,816)	-	-	(3,229,167)	-	**(59,296,983)**	60,572,067
Roads and stormwater network	184,175,519	-	-	-	9,228,565	-	**193,404,084**	(92,952,347)	-	-	(5,640,125)	-	**(98,592,472)**	94,811,612
Water supply network	166,517,527	383,760	(349,578)	-	94,698,732	-	**261,250,441**	(74,969,173)	64,976	-	(4,460,028)	-	**(79,364,225)**	181,886,216
Electricity network	55,905,987	-	-	-	7,006,090	-	**62,912,077**	(25,732,459)	-	-	(1,939,845)	-	**(27,672,304)**	35,239,773
Solid waste	1,168,047	-	(307,704)	-	-	-	**860,343**	(567,589)	184,623	-	(47,907)	-	**(430,873)**	429,470
	526,974,400	**383,760**	**(657,282)**	**-**	**111,595,117**	**-**	**638,295,995**	**(250,289,384)**	**249,599**	**-**	**(15,317,072)**	**-**	**(265,356,857)**	**372,939,138**
Community Assets														
Operational buildings	52,244,545	-	-	-	-	-	**52,244,545**	(24,891,123)	-	-	(1,591,847)	-	**(26,482,970)**	25,761,575
Community facilities	27,467,347	-	(367,780)	-	-	-	**27,099,567**	(14,505,815)	178,976	-	(1,103,904)	-	**(15,430,743)**	11,668,824
Sport and recreational facilities	87,772,092	148,700	(2,436,834)	-	-	-	**85,483,958**	(33,768,118)	955,102	-	(3,110,573)	-	**(35,923,589)**	49,560,369
Solid waste	11,482,811	-	-	-	-	-	**11,482,811**	(1,978,875)	-	-	(488,216)	-	**(2,467,091)**	9,015,720
	178,966,795	**148,700**	**(2,804,614)**	**-**	**-**	**-**	**176,310,881**	**(75,143,931)**	**1,134,078**	**-**	**(6,294,540)**	**-**	**(80,304,393)**	**96,006,488**

Appendix B - Unaudited schedule

June 2019

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Under construction Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Leased assets														
Computer equipment	1,523,146	-	-	-	-	-	**1,523,146**	(965,433)	-	-	(506,527)	-	**(1,471,960)**	51,186
	1,523,146	**-**	**-**	**-**	**-**	**-**	**1,523,146**	**(965,433)**	**-**	**-**	**(506,527)**	**-**	**(1,471,960)**	**51,186**
Other assets														
Furniture and office equipment	12,938,535	29,047	(50,924)	-	-	-	**12,916,658**	(8,744,252)	25,651	-	(1,092,235)	-	**(9,810,836)**	3,105,822
Computer equipment	2,177,634	92,160	(38,533)	-	-	-	**2,231,261**	(903,578)	27,666	-	(281,247)	-	**(1,157,159)**	1,074,102
Commercial carpet washer	9,644	-	-	-	-	-	**9,644**	(6,399)	-	-	(1,093)	-	**(7,492)**	2,152
Kitchen appliances	139,787	-	(1,912)	-	-	-	**137,875**	(90,142)	1,078	-	(10,258)	-	**(99,322)**	38,553
Light vehicles	459,768	-	-	-	-	-	**459,768**	(86,961)	-	-	(31,527)	-	**(118,488)**	341,280
Trucks	4,349,549	-	-	-	-	-	**4,349,549**	(1,407,727)	-	-	(133,327)	-	**(1,541,054)**	2,808,495
Trailer and accessories	1,442,005	-	-	-	-	-	**1,442,005**	(491,224)	-	-	(53,769)	-	**(544,993)**	897,012
Motor vehicles	2,741,409	175,351	-	-	-	-	**2,916,760**	(818,033)	-	-	(129,604)	-	**(947,637)**	1,969,123
Network equipment	5,944	-	-	-	-	-	**5,944**	(2,894)	-	-	(616)	-	**(3,510)**	2,434
Domestic equipment	14,333	-	-	-	-	-	**14,333**	(10,880)	-	-	(772)	-	**(11,652)**	2,681
Music instruments	16,804	-	-	-	-	-	**16,804**	(9,981)	-	-	(1,008)	-	**(10,989)**	5,815
Workshop equipment and loose tools	167,561	-	-	-	-	-	**167,561**	(120,159)	-	-	(11,999)	-	**(132,158)**	35,403
Electric wire and power distribution equipment	166,823	-	-	-	-	-	**166,823**	(107,000)	-	-	(13,988)	-	**(120,988)**	45,835
Engines	3,583	-	-	-	-	-	**3,583**	(453)	-	-	(322)	-	**(775)**	2,808
Gardening equipment	599,173	-	(22,509)	-	-	-	**576,664**	(371,934)	2,137	-	(42,113)	-	**(411,910)**	164,754
Pumps, plumbing, purification and sanitaton equipment	176,223	-	-	-	-	-	**176,223**	(110,799)	-	-	(13,782)	-	**(124,581)**	51,642
Laboratory equipment	27,736	-	-	-	-	-	**27,736**	(13,571)	-	-	(1,616)	-	**(15,187)**	12,549
Audio visual equipment	147,808	-	-	-	-	-	**147,808**	(86,142)	-	-	(11,859)	-	**(98,001)**	49,807
Security equipment	14,047	26,552	-	-	-	-	**40,599**	(6,080)	-	-	(4,612)	-	**(10,692)**	29,907
Telecommunications equipment	11,257	12,448	(1,286)	-	-	-	**22,419**	(5,283)	978	-	(1,964)	-	**(6,269)**	16,150
Laundry equipment	1,509	-	-	-	-	-	**1,509**	(1,035)	-	-	(129)	-	**(1,164)**	345
Other machinery and equipment	266,109	2,447	(33,454)	-	-	-	**235,102**	(64,006)	4,960	-	(35,033)	-	**(94,079)**	141,023
	25,877,241	**338,005**	**(148,618)**	**-**	**-**	**-**	**26,066,628**	**(13,458,533)**	**62,470**	**-**	**(1,872,873)**	**-**	**(15,268,936)**	**10,797,692**

Appendix B - Unaudited schedule

June 2019

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land	36,118,801	-	-	-	-	**-**	**36,118,801**	-	-	-	-	-	**-**	36,118,801
Infrastructure	526,974,400	383,760	(657,282)	-	111,595,117	**-**	**638,295,995**	(250,289,384)	249,599	-	(15,317,072)	-	**(265,356,857)**	372,939,138
Community Assets	178,966,795	148,700	(2,804,614)	-	-	**-**	**176,310,881**	(75,143,931)	1,134,078	-	(6,294,540)	-	**(80,304,393)**	96,006,488
Leased assets	1,523,146	-	-	-	-	**-**	**1,523,146**	(965,433)	-	-	(506,527)	-	**(1,471,960)**	51,186
Other assets	25,877,241	338,005	(148,618)	-	-	**-**	**26,066,628**	(13,458,533)	62,470	-	(1,872,873)	-	**(15,268,936)**	10,797,692
	769,460,383	**870,465**	**(3,610,514)**	**-**	**111,595,117**	**-**	**878,315,451**	**(339,857,281)**	**1,446,147**	**-**	**(23,991,012)**	**-**	**(362,402,146)**	**515,913,305**
Investment properties														
Investment property	108,997,891	-	-	-	-	**4,468,914**	**113,466,805**	-	-	-	-	-	**-**	113,466,805
	108,997,891	**-**	**-**	**-**	**-**	**4,468,914**	**113,466,805**	**-**	**-**	**-**	**-**	**-**	**-**	**113,466,805**
Total														
Land	36,118,801	-	-	-	-	**-**	**36,118,801**	-	-	-	-	-	**-**	36,118,801
Infrastructure	526,974,400	383,760	(657,282)	-	111,595,117	**-**	**638,295,995**	(250,289,384)	249,599	-	(15,317,072)	-	**(265,356,857)**	372,939,138
Community Assets	178,966,795	148,700	(2,804,614)	-	-	**-**	**176,310,881**	(75,143,931)	1,134,078	-	(6,294,540)	-	**(80,304,393)**	96,006,488
Leased assets	1,523,146	-	-	-	-	**-**	**1,523,146**	(965,433)	-	-	(506,527)	-	**(1,471,960)**	51,186
Other assets	25,877,241	338,005	(148,618)	-	-	**-**	**26,066,628**	(13,458,533)	62,470	-	(1,872,873)	-	**(15,268,936)**	10,797,692
Investment properties	108,997,891	-	-	-	-	**4,468,914**	**113,466,805**	-	-	-	-	-	**-**	113,466,805
	878,458,274	**870,465**	**(3,610,514)**	**-**	**111,595,117**	**4,468,914**	**991,782,256**	**(339,857,281)**	**1,446,147**	**-**	**(23,991,012)**	**-**	**(362,402,146)**	**629,380,110**

Appendix C - Unaudited schedule

June 2019

Segmental analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Budget and treasury	1,381,676	495,043	(625,916)	-	-	-	1,250,803	(1,067,964)	621,314	-	(141,117)	-	(587,767)	663,036
Community services	746,058	163,262	(286,147)	-	-	-	623,173	(586,772)	277,435	-	(59,362)	-	(368,699)	254,474
Corporate	5,794	-	-	-	-	-	5,794	(3,783)	-	-	(426)	-	(4,209)	1,585
Corporate services	735,049	203,813	(340,145)	-	-	-	598,717	(558,885)	336,114	-	(51,454)	-	(274,225)	324,492
Council	12,966,696	-	(34,704)	-	-	-	12,931,992	(9,384,243)	26,528	-	(623,984)	-	(9,981,699)	2,950,293
Council property	153,346	25,900	(33,321)	-	-	-	145,925	(68,931)	10,328	-	(16,709)	-	(75,312)	70,613
Finance department	69,576	273,910	(9,400)	-	-	-	334,086	(41,348)	8,261	-	(14,104)	-	(47,191)	286,895
General council	565,275	57,215	-	-	-	-	622,490	(168,401)	-	-	(52,297)	-	(220,698)	401,792
Municipal manager	637,493	14,355	(170,016)	-	-	-	481,832	(439,956)	164,213	-	(55,101)	-	(330,844)	150,988
Not specified	741,426,527	118,339,394	(803,163)	-	33,881,094	-	892,843,852	(346,918,606)	720,139	-	(22,963,903)	-	(369,162,370)	523,681,482
Technical services	8,032,849	31,810	(161,693)	-	-	-	7,902,966	(3,163,258)	161,693	-	(312,691)	-	(3,314,256)	4,588,710
Council	113,466,805	-	-	-	-	3,971,338	117,438,143	-	-	-	-	-	-	117,438,143
	880,187,144	**119,604,702**	**(2,464,505)**	**-**	**33,881,094**	**3,971,338**	**1,035,179,773**	**(362,402,147)**	**2,326,025**	**-**	**(24,291,148)**	**-**	**(384,367,270)**	**650,812,503**
Total														
Municipality	880,187,144	119,604,702	(2,464,505)	-	33,881,094	3,971,338	1,035,179,773	(362,402,147)	2,326,025	-	(24,291,148)	-	(384,367,270)	650,812,503
	880,187,144	**119,604,702**	**(2,464,505)**	**-**	**33,881,094**	**3,971,338**	**1,035,179,773**	**(362,402,147)**	**2,326,025**	**-**	**(24,291,148)**	**-**	**(384,367,270)**	**650,812,503**

Appendix D - Unaudited Schedule
June 2019

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
7,294,112	16,539,635	(9,245,523)	Executive & Council/Mayor and Council	27,048,778	15,154,207	11,894,571
105,674,912	27,439,994	78,234,918	Finance & Admin/Finance	78,532,646	71,601,734	6,930,912
48,051	10,613,136	(10,565,085)	Planning and Development/Economic Development/Plan	109,450	7,645,319	(7,535,869)
356,355	10,341,782	(9,985,427)	Comm. & Social/Libraries and archives	468,229	7,053,944	(6,585,715)
268,900	744,417	(475,517)	Public Safety/Police	331,400	2,414,328	(2,082,928)
42,294	3,864,426	(3,822,132)	Sport and Recreation	1,022,165	4,173,061	(3,150,896)
4,773,468	10,634,906	(5,861,438)	Environmental Protection/Pollution Control	3,357,307	8,064,795	(4,707,488)
7,278,641	13,245,057	(5,966,416)	Waste Water Management/Sewerage	5,132,191	11,152,002	(6,019,811)
14,073,947	40,891,607	(26,817,660)	Road Transport/Roads	34,589,676	11,507,525	23,082,151
6,831,751	13,009,291	(6,177,540)	Water/Water Distribution	5,530,631	12,964,956	(7,434,325)
37,958,248	35,816,270	2,141,978	Electricity /Electricity Distribution	39,500,690	33,518,808	5,981,882
184,600,679	**183,140,521**	**1,460,158**		**195,623,163**	**185,250,679**	**10,372,484**
			Municipal Owned Entities			
			Other charges			
184,600,679	183,140,521	1,460,158	Municipality	195,623,163	185,250,679	10,372,484
184,600,679	**183,140,521**	**1,460,158**	**Total**	**195,623,163**	**185,250,679**	**10,372,484**

Appendix E(2) - Unaudited Schedule

June 2019

Budget Analysis of Capital Expenditure as at 30 June 2019

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	97,470	-	(97,470)	**-**	
Finance & Admin/Finance	768,953	-	(768,953)	**-**	
Planning and Development/Economic Development/Plan	203,813	-	(203,813)	**-**	
Comm. & Social/Libraries and archives	163,262	108,000	(55,262)	**(51)**	Greater grant amounts received
Sport and Recreation	-	8,079,000	-	**-**	
Waste Water Management/Sewerage	-	10,973,000	-	**-**	
Road Transport/Roads	118,371,204	18,181,000	(100,190,204)	**(551)**	Greater grant amounts received
Water/Water Distribution	-	22,000	22,000	**100**	
	119,604,702	**37,363,000**	**(101,293,702)**	**(271)**	

Appendix F - Unaudited Schedule
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2019

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds			Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
																	Yes/ No	
EPWP	Treasury	250,000	450,000	300,000	-	250,000	450,000	189,240	110,760	-	-	-	-	-	-	-		Yes
Equitables share	Treasury	-	-	50,212,000	16,754,000	-	-	50,212,000	16,754,000	-	-	-	-	-	-	-		Yes
FMG	Treasury	1,970,000	-	-	-	699,583	165,051	131,674	973,692	-	-	-	-	-	-	-		Yes
FSPT	Treasury	1,000,000	-	-	-	273,427	726,573	-	-	-	-	-	-	-	-	-		Yes
MIG	Treasury	15,287,000	-	8,550,000	-	18,287,000	-	8,550,000	-	-	-	-	-	-	-	-		Yes
RBIG	Treasury	291,617	1,314,936	1,301,369	1,494,567	291,617	1,314,936	1,301,369	1,494,567	-	-	-	-	-	-	-		Yes
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		18,798,617	1,764,936	60,363,369	18,248,567	19,801,627	2,656,560	60,384,283	19,333,019	-	-	-	-	-	-	-		

Appendix G1 - Unaudited Schedule
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2019

	2019/2018									2018/2017		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional												
Municipal governance and administration	**36,854,000**	**(4,780,000)**	**32,074,000**	**105,581,423**		**73,507,423**	**329 %**	**286 %**				**112,728,961**
Executive and council	4,828,000	-	4,828,000	27,048,778		22,220,778	560 %	560 %				7,294,114
Finance and administration	32,026,000	(4,780,000)	27,246,000	78,532,645		51,286,645	288 %	245 %				105,434,847
Community and public safety	**12,191,000**	**-**	**12,191,000**	**1,821,792**		**(10,369,208)**	**15 %**	**15 %**				**715,600**
Community and social services	2,272,000	-	2,272,000	468,228		(1,803,772)	21 %	21 %				673,306
Sport and recreation	8,094,000	-	8,094,000	1,022,164		(7,071,836)	13 %	13 %				42,294
Public safety	1,825,000	-	1,825,000	331,400		(1,493,600)	18 %	18 %				-
Economic and environmental services	**4,920,000**	**-**	**4,920,000**	**34,699,125**		**29,779,125**	**705 %**	**705 %**				**14,073,947**
Planning and development	-	-	-	109,449		109,449	DIV/0 %	DIV/0 %				-
Road transport	4,920,000	-	4,920,000	34,589,676		29,669,676	703 %	703 %				14,073,947
Trading services	**120,091,000**	**(351,000)**	**119,740,000**	**53,520,816**		**(66,219,184)**	**45 %**	**45 %**				**56,842,108**
Energy sources	54,664,000	(351,000)	54,313,000	39,500,689		(14,812,311)	73 %	72 %				37,958,248
Water management	22,241,000	-	22,241,000	5,530,630		(16,710,370)	25 %	25 %				6,831,751
Waste water management	30,463,000	-	30,463,000	5,132,190		(25,330,810)	17 %	17 %				7,278,641
Waste management	12,723,000	-	12,723,000	3,357,307		(9,365,693)	26 %	26 %				4,773,468
Total Revenue - Functional	**174,056,000**	**(5,131,000)**	**168,925,000**	**195,623,156**		**26,698,156**	**116 %**	**112 %**				**184,360,616**

Appendix G1 - Unaudited Schedule
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional												
Governance and administration	**82,427,000**	**303,000**	**82,730,000**	**86,755,938**	**-**	**4,025,938**	**105 %**	**105 %**	**-**	**-**	**-**	**43,739,566**
Executive and council	18,043,000	(260,000)	17,783,000	15,154,204	-	(2,628,796)	85 %	84 %	-	-	-	16,539,634
Finance and administration	64,384,000	563,000	64,947,000	71,601,734	-	6,654,734	110 %	111 %	-	-	-	27,199,932
Community and public safety	**12,972,000**	**(1,097,000)**	**11,875,000**	**13,641,333**	**-**	**1,766,333**	**115 %**	**105 %**	**-**	**-**	**-**	**25,563,761**
Community and social services	10,467,000	(1,097,000)	9,370,000	7,053,944	-	(2,316,056)	75 %	67 %	-	-	-	21,699,335
Sport and recreation	107,000	-	107,000	4,173,061	-	4,066,061	3,900 %	3,900 %	-	-	-	3,864,426
Public safety	2,398,000	-	2,398,000	2,414,328	-	16,328	101 %	101 %	-	-	-	-
Economic and environmental services	**14,066,000**	**330,000**	**14,396,000**	**19,152,844**	**-**	**4,756,844**	**133 %**	**136 %**	**-**	**-**	**-**	**40,891,607**
Planning and development	-	-	-	7,645,319	-	7,645,319	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	14,066,000	330,000	14,396,000	11,507,525	-	(2,888,475)	80 %	82 %	-	-	-	40,891,607
Trading services	**71,318,000**	**(883,000)**	**70,435,000**	**65,700,557**	**-**	**(4,734,443)**	**93 %**	**92 %**	**-**	**-**	**-**	**72,705,524**
Energy sources	35,464,000	(134,000)	35,330,000	33,518,807	-	(1,811,193)	95 %	95 %	-	-	-	35,816,270
Water management	13,926,000	(953,000)	12,973,000	12,964,956	-	(8,044)	100 %	93 %	-	-	-	13,009,291
Waste water management	12,548,000	104,000	12,652,000	11,152,002	-	(1,499,998)	88 %	89 %	-	-	-	13,245,057
Waste management	9,380,000	100,000	9,480,000	8,064,792	-	(1,415,208)	85 %	86 %	-	-	-	10,634,906
Total Expenditure - Functional	**180,783,000**	**(1,347,000)**	**179,436,000**	**185,250,672**	**-**	**5,814,672**	**103 %**	**102 %**	**-**	**-**	**-**	**182,900,458**
Surplus/(Deficit) for the year	**(6,727,000)**	**(3,784,000)**	**(10,511,000)**	**10,372,484**		**20,883,484**	**(99)%**	**(154)%**				**1,460,158**

Appendix G2 - Unaudited Schedule
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Revenue by Vote												
Vote 1 - Executive and council	4,828,000	-	4,828,000	27,048,778		22,220,778	560 %	560 %				7,294,114
Vote 2 - Budget and treasury	32,026,000	(4,780,000)	27,246,000	78,532,645		51,286,645	288 %	245 %				105,434,847
Vote 3 - Community	2,272,000	-	2,272,000	468,228		(1,803,772)	21 %	21 %				673,306
Vote 4 - Public safety	1,825,000	-	1,825,000	331,400		(1,493,600)	18 %	18 %				-
Vote 5 - Sport and recreation	8,094,000	-	8,094,000	1,022,164		(7,071,836)	13 %	13 %				42,294
Vote 6 - Waste management	12,723,000	-	12,723,000	3,357,307		(9,365,693)	26 %	26 %				4,773,468
Vote 7 - Waste water management	30,463,000	-	30,463,000	5,132,190		(25,330,810)	17 %	17 %				7,278,641
Vote 8 - Road transport	4,920,000	-	4,920,000	34,589,676		29,669,676	703 %	703 %				14,073,947
Vote 9 - Water	22,241,000	-	22,241,000	5,530,630		(16,710,370)	25 %	25 %				6,831,751
Vote 10 - Electricity	54,664,000	(351,000)	54,313,000	39,500,689		(14,812,311)	73 %	72 %				37,958,248
Vote 11 - Corporate services	-	-	-	109,449		109,449	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	**174,056,000**	**(5,131,000)**	**168,925,000**	**195,623,156**		**26,698,156**	**116 %**	**112 %**				**184,360,616**
Expenditure by Vote to be appropriated												
Vote 1 - Executive and council	18,043,000	(260,000)	17,783,000	15,154,204	-	(2,628,796)	85 %	84 %	-	-	-	16,539,634
Vote 2 - Budget and treasury	64,384,000	563,000	64,947,000	71,601,735	-	6,654,735	110 %	111 %	-	-	-	27,199,932
Vote 3 - Community	10,467,000	(1,097,000)	9,370,000	7,053,944	-	(2,316,056)	75 %	67 %	-	-	-	21,699,335
Vote 4 - Public safety	2,398,000	-	2,398,000	2,414,328	-	16,328	101 %	101 %	-	-	-	-
Vote 5 - Sport and recreation	107,000	-	107,000	4,173,061	-	4,066,061	3,900 %	3,900 %	-	-	-	3,864,426
Vote 6 - Waste management	9,380,000	100,000	9,480,000	8,064,791	-	(1,415,209)	85 %	86 %	-	-	-	10,634,906
Vote 7 - Waste water management	12,548,000	104,000	12,652,000	11,152,002	-	(1,499,998)	88 %	89 %	-	-	-	13,245,057
Vote 8 - Road transport	14,066,000	330,000	14,396,000	11,507,525	-	(2,888,475)	80 %	82 %	-	-	-	40,891,607
Vote 9 - Water	13,926,000	(953,000)	12,973,000	12,964,956	-	(8,044)	100 %	93 %	-	-	-	13,009,291
Vote 10 - Electricity	35,464,000	(134,000)	35,330,000	33,518,807	-	(1,811,193)	95 %	95 %	-	-	-	35,816,270
Vote 11 - Corporate services	-	-	-	7,645,319	-	7,645,319	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	**180,783,000**	**(1,347,000)**	**179,436,000**	**185,250,672**	**-**	**5,814,672**	**103 %**	**102 %**	**-**	**-**	**-**	**182,900,458**
Surplus/(Deficit) for the year	**(6,727,000)**	**(3,784,000)**	**(10,511,000)**	**10,372,484**		**20,883,484**	**(99)%**	**(154)%**				**1,460,158**

Appendix G3 - Unaudited Schedule
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2019

	2019/2018											2018/2017
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	18,086,000	(5,000,000)	13,086,000	22,293,212		9,207,212	170 %	123 %				20,958,681
Service charges - electricity revenue	36,415,000	-	36,415,000	39,448,356		3,033,356	108 %	108 %				31,356,709
Service charges - water revenue	8,677,000	-	8,677,000	5,517,143		(3,159,857)	64 %	64 %				5,288,546
Service charges - sanitation revenue	7,055,000	-	7,055,000	5,132,191		(1,922,809)	73 %	73 %				4,547,075
Service charges - refuse revenue	4,467,000	-	4,467,000	3,357,307		(1,109,693)	75 %	75 %				2,892,536
Rental of facilities and equipment	647,000	-	647,000	920,542		273,542	142 %	142 %				1,025,110
Interest earned - external investments	600,000	90,000	690,000	1,744,763		1,054,763	253 %	291 %				196,959
Interest earned - outstanding debtors	1,000,000	(800,000)	200,000	870,236		670,236	435 %	87 %				-
Dividends received	50,000	(10,000)	40,000	58,441		18,441	146 %	117 %				51,428
Fines, penalties and forfeits	40,000	-	40,000	331,400		291,400	829 %	829 %				268,900
Licences and permits	80,000	-	80,000	24,229		(55,771)	30 %	30 %				21,700
Transfers and subsidies	69,989,000	946,000	70,935,000	80,214,305		9,279,305	113 %	115 %				99,446,151
Other revenue	3,114,000	(357,000)	2,757,000	7,987,059		5,230,059	290 %	256 %				7,045,390
Total Revenue (excluding capital transfers and contributions)	**150,220,000**	**(5,131,000)**	**145,089,000**	**167,899,184**		**22,810,184**	**116 %**	**112 %**				**173,099,185**

Appendix G3 - Unaudited Schedule
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2019

	2019/2018											2018/2017
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type												
Employee related costs	63,594,000	283,000	63,877,000	62,927,032	-	(949,968)	99 %	99 %	-	-	-	60,150,599
Remuneration of councillors	6,563,000	-	6,563,000	5,522,232	-	(1,040,768)	84 %	84 %	-	-	-	5,335,771
Debt impairment	6,100,000	-	6,100,000	21,210,707	-	15,110,707	348 %	348 %	-	-	-	5,122,619
Depreciation & asset impairment	26,000,000	-	26,000,000	24,288,676	-	(1,711,324)	93 %	93 %	-	-	-	23,863,390
Finance charges	2,958,000	-	2,958,000	6,468,292	-	3,510,292	219 %	219 %	-	-	-	7,812,659
Bulk purchases	33,895,000	(1,000,000)	32,895,000	38,631,963	-	5,736,963	117 %	114 %	-	-	-	36,437,704
Other materials	8,340,000	(1,030,000)	7,310,000	7,943,457	-	633,457	109 %	95 %	-	-	-	8,704,571
Other expenditure	33,333,000	297,000	33,630,000	18,773,829	-	(14,856,171)	56 %	56 %	-	-	-	24,211,714
Total Expenditure	**180,783,000**	**(1,450,000)**	**179,333,000**	**185,766,188**	**-**	**6,433,188**	**104 %**	**103 %**	**-**	**-**	**-**	**171,639,027**
Surplus/(Deficit)	**(30,563,000)**	**(3,681,000)**	**(34,244,000)**	**(17,867,004)**		**16,376,996**	**52 %**	**58 %**				**1,460,158**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	23,837,000	-	23,837,000	28,239,488		4,402,488	118 %	118 %				-
Surplus/(Deficit) after capital transfers & contributions	**(6,726,000)**	**(3,681,000)**	**(10,407,000)**	**10,372,484**		**20,779,484**	**(100)%**	**(154)%**				**1,460,158**
Surplus/(Deficit) after taxation	**(6,726,000)**	**(3,681,000)**	**(10,407,000)**	**10,372,484**		**20,779,484**	**(100)%**	**(154)%**				**1,460,158**
Surplus/(Deficit) attributable to municipality	**(6,726,000)**	**(3,681,000)**	**(10,407,000)**	**10,372,484**		**20,779,484**	**(100)%**	**(154)%**				**1,460,158**
Surplus/(Deficit) for the year	**(6,726,000)**	**(3,681,000)**	**(10,407,000)**	**10,372,484**		**20,779,484**	**(100)%**	**(154)%**				**1,460,158**